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USAID KOSOVO PRIVATE ENTERPRISE PROGRAM (KPEP)

QUARTERLY REPORT

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Executive Summary

This report covers the Quarter three of Year Four (Q3 of Y4), and is the first quarter during which the project decreased activity level in anticipation of project closeout. Despite decreased activity, the project continues to deliver strong quantitative results and progress against indicators. The project has surpassed the Life of Project increase in sales target of 50M Euros. As of the end of Q3, the increase in sales was 103.0 million Euros. The Agriculture Sector continues to dominate the increase in sales figure, representing 46.1 percent of the total. In terms of investment growth, the project has also surpassed the Life of Project target of 20M Euros. The cumulative increase at the end of Q3 is 31.7 Million Euros. The Agriculture and Construction Sectors are the largest contributors to that investment figure, having their percent share at 46.1 percent and 21.5 respectively. For the first time in the project, the increase in jobs target has been met and surpassed. It is only in the fourth year of the project that firms have seen the kind of growth that has enabled them to increase their staff. The Life of Project target increase in jobs was 5,036 jobs and current increase is 5,573 FTE jobs. Again, the Agriculture Sector dominates the job figures. Increase in exports, which had no target, stands at 28.0 million Euros. The Construction Sector has the largest share of the exports figure at 39.5 percent.

These impressive indicator figures are all the more compelling when viewed against the backdrop of leveraged funding. Each sector and component lead created their benchmarks for the Year Four Workplan knowing that they would only be able to fund a small portion (estimated by the team at 32%) of the activity. KPEP continues to fund its ideas with funds from other donors such as the European Union (Tourism Sector wine routes), the Swiss government (SIPPO in the Wood Processing Sector, dairy promotion campaign in the Dairy Sector), the Norwegian government (the Innovation Center in the ICT Sector), as well as the Government of Kosovo (the Investment Promotion Agency of Kosovo and the Ministry of Trade and Industry in multiple sectors; the Ministry of Agriculture in the Agriculture Sector; the Ministry of Labor and Social Welfare in workforce development; the Ministry of the Environment and Spatial Planning in the Construction Sector, the University of Pristina in the Construction Sector).

In the first month of the quarter, Booz Allen submitted a response to USAID's request for a "Proposal for Modification to the Statement of Work for Short Term Employment Generation Activities in North Kosovo, and Extension of Period of Performance." The response was submitted on April 17, 2012 and Modification #10 to the KPEP Task Order was fully executed on June 18, 2012.

The contract modification had a few impacts on KPEP project implementation. First, USAID requested that Booz Allen extend its Period of Performance by three months without any increase in funding for either operational costs or core KPEP activities. In order to be compliant with USAID's request, Booz Allen needed to lower costs in Quarters Three and Four of the original Period of Performance in order to fund a "Quarter Five" (the first three months of the next Fiscal Year). The implementation result was decreased activity.

The decrease in activity was consistent with the strategic management of the program, which changed focus between Years Two and Three. At that time, a decision was made by KPEP management to radically increase spending. The program had been slow to spend in Years One and Two and went through several changes of expatriate leadership (for the project as a whole and for individual components). Ramping up activity quickly in Year Three meant increasing the volume and pace of activities, and required the sector and component specialists

to fan out across Kosovo, connect with beneficiaries, and rapidly initiate activities that had high probability of results. An example of this increase in spending is seen in Strategic Activities Fund (SAF) obligations. In the first six months of Year Three, more funds were committed than in the first two years of the project. This required frequent SAF committee meetings to ensure that spending was compliant and strategic in addition to being increased.

The choice by management to speed up the burn rate, and shift radically from straight-line burn, was predicated on the idea that KPEP would not have results without activities, and the amount of activities in process at the beginning of Year Three would not produce adequate Life of Project results. The risk of this approach was that there might be no funding left in the last six months of the program. That risk was worth taking for management, because KPEP needed to increase visibility and gain the trust of beneficiaries, the Government of Kosovo, and the donor community. Management believed that pushing out funds in Year Three and the first half of Year Four would result in project performance metrics that would exceed expectations. In addition, increased successful activity would be able to catch the attention of other donors who might be able to fund KPEP-type activities while KPEP staff monitored during the last six months.

The predictions of management were true, and the project has truly exceeded expectations both in the form of performance metrics but also in its ability to spark the interest of others in the donor community and to use their funds to further the aims of KPEP.

Another impact of the contract modification (in addition to decreased core activity in the last six months of Year Four) was an increase in activity in **North Kosovo**, activity that will continue to increase steadily over the next three months. Activity began to increase in Quarter Three due to the large-scale Start Up Grant Program, with the due diligence and environmental compliance research that those grants required. The Start Up Program was designed, at the beginning of Year Four, to issue 100 grants of up to \$5000 each. This program, and the training required for the participants over the course of 2 months, was very labor intensive, both because of the nature of the program, and also the fact that implementing projects in North Kosovo is generally more time consuming due to security concerns and extra time spent establishing relationships. Another major undertaking for the KPEP North team in Quarter Three was procuring twenty greenhouses and awarding them to an agriculture cooperative that is working with individual families to construct the greenhouses on their land. The families were chosen through a participatory, collaborative process that utilized community groups in the villages in North Kosovo. This required extra time but is necessary for sustainability. The internship program in North Kosovo has also been extremely successful: 35 of 60 interns in the final round were able to secure full-time employment.

KPEP management has responded to the challenge of decreased activity funds, decreased staff, and the focus of staff shifting towards their next project and new employment opportunities. Management has fostered increased collaboration between sectors to minimize the effect of staff departures in future quarters. The Tourism Sector Lead took extended leave and was able to assign responsibilities to both the Workforce Development/Business Support Services Lead as well as the Business Enabling Environment Lead. The Wood Processing Sector Lead left the project, and responsibilities shifted to the beneficiary organization, the Association of Wood Processors of Kosovo (AWPK), which shared weekly report data with the Communications Lead and organized activities under the mentoring of the Business Support Services Lead. The transition to AWPK is exactly what KPEP should be doing under its sustainability goals- responsibilities and activities of KPEP can be shifted to the relevant sector

association, in whose interest it is to grow the size of the sector and the number of businesses in it.



USAID Kosovo Mission Director, Maureen Shauket participating at the World Milk Day 2012.

An increase in the sense of responsibility of associations can be seen in the Dairy Sector as well, with the Kosovo Dairy Processors Association (KDPA) taking on the role of leader of the World Milk Day Activity, which shifted from KPEP driven and funded in Year 1; to cost shared between KDPA, MAFRD and Swiss Solidar in Year three, and full responsibility and funding from MAFRD Swiss Solidar and KDPA in Year Four. These developments are encouraging, as they show the basis of sustainability post-KPEP, and offer excellent opportunities for future, additional interventions by USAID and other donors.

Despite challenges, progress against benchmarks in all sectors appears to continue well on track, indicating an excellent private sector response to KPEP initiatives undertaken thus far. The Agriculture Sector continues to produce a strong aggregation function which is consistent with the project's goals of commercialization and scaling of agriculture. This will provide an excellent foundation for improved backward and forward linkages, access to financial services through payment re-flow mechanisms, and vastly improved market and producer confidence.

HACCP certification in the **Livestock Sector** continues to be crucial to increasing quality and value. As of the end of Quarter Three, Kabi and Rugova dairies are in full compliance with international HACCP standards and Eurolona and Magic Ice are in process- taking action such as changing the floor layout of their plants, dividing their production lines, and changing the layout of equipment. A highlight of Quarter Three was the celebration in Kosovo, for the fifth consecutive year, of World Milk Day, mentioned previously. A first for Kosovo was the initiation of the bovine embryo transfer project, which was implemented in cooperation with the University of Iowa, Eurolona Dairy, and the Kosovo Food and Veterinary Agency. The actual transplantation will occur later this year. Another highlight for the sector is overcoming challenges of surplus milk, a situation which occurs annually in Quarter Three. The surplus is being absorbed by dairies that have increased production and by new entries in the dairy processing market. The raw milk sampling project continues apace, with a password-protected link for publishing raw milk test results now live on the KFVA's website. A highlight for the broiler sector was the inauguration of the new broiler processing line at Konsoni; the line increases processing tenfold and will provide security and incentive for broiler outgrowers. The ceremony included the KPEP Chief of Party, the Minister of Agriculture, the Minister of Trade and Industry, and the primary donor, the European Union.

The **Fruit and Vegetable Sector** continues to work towards its targets of increased quantity, quality, and value. KPEP clients are continuing to aggregate and strengthen the value chain. Kelmendi GmbH will purchase 2,000 metric tons of processed vegetables from Ask Foods, which in turn has signed contracts with farmers in Mogille/ Mogila village to supply 300 metric tons of vegetables. Ask Foods is providing the farmers with seed and fertilizer. Abi & Elif contracted for 1,000 metric tons of peppers from the cooperative Krushe e Madhe. Koroglu, a

Turkish firm, seeks 400 metric tons of fresh peppers and is working with KPEP beneficiary Hosa Fresh. While these numbers are promising, hurdles in the sector continue. A multi-stakeholder project involving importing greenhouses from Israel and coordinated by KPEP is a challenge to implement. An assumption of the project was that farmers could get credit from a bank to fund part of the greenhouses (the rest was a grant from CDF-World Bank). Raiffeisen Bank, the chosen partner, turned down 88 of 100 farmers, severely restricting the size of the project. Indications for potential future USAID projects are that farmers need to learn more about qualifying for bank loans and/or banks need to have a clearer understanding of lending to farmers (or have a better guarantee of repayment). A good example of project cooperation is that of the Shiitake mushroom activity- it was initiated by KPEP and then transferred to USAID YEP which was seeking high-impact activities (and had funding available for such projects). A long-awaited activity, that of robot grafting of seedlings, is still in process and results will be available in Quarter Four.

The **Non Wood Forest Product Sector** continues on pace with its Year Four workplan. As five beneficiary firms received HACCP certification before the collection and processing season, sales should increase this harvest season over last. This will bear out later in the year. Participation in the BioFach Fair in Nuremberg (during Quarter Two) resulted in the realization, during Quarter Three, of 2M Euros of sales of four KPEP client firms. Accessing new markets has also increased: client firms are now exporting to Germany, Austria, Slovenia, Bulgaria, Sweden, and the United Kingdom. Cultivated area for herbs continues to increase, currently at 80 hectares. The result is increased demand for drying capacity, which KPEP is working with beneficiary firms to achieve. This growth has also had a downside, which is a need for working capital, and KPEP is supporting firms to understand their options to access funding.



Collected chamomile for export to EU



KPEP continues its cooperation with the USAID YEP project in the area of raspberry production. YEP is able to provide capital, and KPEP is able to provide expertise to farmers in Shterpce/Strpce. Ten hectares of intensified raspberry orchards have now been planted.

In the **Forestry Sector**, KPEP had a major accomplishment. Since May 2006 USAID has been working toward forest certification in Kosovo through FSC (Forest Stewardship Council in Bonn, Germany). A milestone was reached in September of 2009 with the recognition of Kosovo's Standard Development Group (SDG) by FSC. KPEP's forestry specialist chairs the SDG. Based on the decision of the Policy and Standards Directors of FSC, the FSC Standard for the Republic of Kosovo was at last approved on 13 June, 2012 and will be effective starting from 1 October, 2012.



Forest Management Unit, Ahishte in Kaçanik/ Kaçanik

The accreditation of Kosovo FSC national standard lays the groundwork for the actual certification of forests and the wood industry. FSC certification will greatly improve the ability of the Kosovo forestry and wood industry to export after March 2013 when requirements of the EU Timber Regulation (EU No 995/2010 of the European parliament and of the Council of 20th October 2010) will come into force. This new legislation prohibits placing timber on the EU market if it was illegally harvested. Kosovo wood processors need to meet international standards to gain access to markets that are becoming more restrictive to non-certified wood products. If Kosovo processors can sell to those markets, they will realize more added value in their production and will most probably create additional jobs.

The **Wood Processing Sector** saw a decline in activity in Quarter Three as the sector specialist departed the project and ongoing initiatives were shared between the Business Support Services lead and the Association of Wood Processors of Kosovo (AWPK). As mentioned above, this transition from the project to the association is crucial in order for USAID to draw back its support via US-based organizations. In the future, should USAID want to continue supporting private sector development in Kosovo, AWPK would be a natural partner. The transition to local partners should be accompanied by an adjustment in expectations, as it is evident from KPEP that once the sector specialist left the project, AWPK was not able to sustain activity level. A devoted human resource as part of a USAID project, managed to the standards of an American firm, can serve to drive activity forward. However, if that same resource were to shift to AWPK accompanied by sufficient activity funds, results could indeed increase for the association. The slowdown in activities was also caused by a lack of activity funds- these had been front-loaded so by Quarter Three, almost all had been expended.



USAID Kosovo Mission Director, Maureen Shauket participating at the opening of 'Natyra 2012' Trade Fair



The highlight for the wood processing sector in Quarter Three was the 2012 Natyra Fair- the annual wood processing and furniture industry fair held in Pristina. The fair drew 56 firms as exhibitors and was opened by three women leaders in Kosovo: the Director of AWPK, Arieta Vula; the Minister of Trade and Industry, Mimoza Kusari Lila; and USAID Mission Director Maureen Shauket.

During Quarter Three, the **Road Construction Sector** assistance realized the second round of road design curriculum. Sixteen master's level students participated in the now-accredited geometric road design course at the University of Pristina, taught by an instructor from the Texas Transportation Institute, which is affiliated with Texas A&M University. A teaching assistant at the university who participated in last year's course worked alongside the instructor from Texas so that the university has more in-house capacity to teach the course in the future. This program will now be essentially sustainable, by utilizing teaching assistants in Kosovo in conjunction with a proposed teleconferencing mechanism featuring the lecturers in Texas. The welder training at the KEK training center, an ongoing activity, received certification from Accreditation Authority within the Ministry of Education, Science and Technology in Quarter Three.



Road Design Course completion event

The Heavy Equipment Operators Training Center applied for certification during Quarter Three, submitting all required documentation to the Accreditation Authority.

The **Construction Materials Sector** specialist focused both on strengthening the construction materials sector as well as providing support to the initiative of the licensing of architects and engineers. As the temporary special board of MESP finalized the procedures for examiners as well as the procedures for applying for the examinations in Quarter Two, this quarter saw the procedures begin to be implemented. The board released the public call for examiners in Quarter Three, receiving 65 applications. The training seminar for professionals and potential examiners was postponed, at the request of KPEP, for six weeks. KPEP recommended that the training seminar not occur until the construction law was certain (it was scheduled for approval at the same time as the original seminar date). The first licensing cycle and forming of the Chamber will occur in the future without KPEP support.

In the construction materials sector itself, five KPEP client firms continued to increase market share and increase employment. Brickos intends to finalize its investment in a new production line by the end of July. An initiative that grew out of this sector work was cooperation with the Kosovo Chamber of Commerce. This resulted in a new KCC website including a Serbian language section. In addition, KPEP worked with the KCC to raise awareness of firms whose lack of product certification prevents them from entering new markets. Certification of products to European standards remains a significant obstacle to the expansion of production processes targeting the export or import substitution markets. Certification remains very expensive and poses a barrier to entry for these companies at this time.

In the **ICT Sector**, the focus is firm-level support which is appropriate for the nascent stage of the industry. The sector specialist continued to provide coaching and strategic advisory to foreign investors such as the Swiss owner of Baruti, a contact center established in Kosovo to serve European Union clients. The strategy with these client firms is to help them in the

process of establishing their business and connect them to the network of complementary businesses or supporting services. KPEP's firm-level support is not designed to give funds directly to ICT firms; rather it is to help those firms find their own funds. In contrast to KPEP beneficiary firms in a sector like agriculture, which has worked with USAID assistance for many years, ICT firms do not expect donations for capital expenditures (and the nature of their business is less dependent on capital expenditures). The sector specialist also provided mentoring and coaching to the winners of Pristina Startup Weekend, an initiative of Innovation Center Kosovo which KPEP supported.

Tekfuze was a prizewinner at the Balkan Venture Forum in Skopje and will go on to participate at the final event in Dusseldorf, Germany at the European Venture Summit where they will compete for a 90,000 Euro award. The European Venture Summit (EVS) will feature winning companies from competitions held throughout Europe to showcase their businesses to international investors and other industry experts. It will showcase 150 of Europe's top start-ups in the areas of ICT, Life Sciences and Cleantech. More than 100 international investors are expected to be on hand reviewing company presentations and looking for potential partnerships. The event will be held on November 28-29. Tekfuze was also approached by three investors at the BkVF event in Skopje, and one investment was realized later in the quarter.

The **Tourism Sector** continues to see the results of its efforts to include Kosovo in regional tourism offerings reflected in both regional and international tourism media. International tourism receipts, as measured by KPEP client firms, have increased 85%. KATA, the Kosovo Association of Alternative Tourism, traveled to Albania to present at a large tourism fair; multiple hotels in Kosovo report increased bookings as a result of the fair. A significant highlight of the quarter was the official launch of the Western Balkans Geotourism Mapguide, held at the National Geographic Society in Washington, DC, and co-organized with USAID Washington, the Regional Competitiveness Initiative Project, the six relevant USAID Missions (Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro, and Serbia), their respective USAID projects, and the corresponding tourism sector counterparts in those countries. KPEP worked closely with National Geographic and the KPEP beneficiary KosovoGuide in the weeks running up to the event to ensure that the map of Kosovo on the website is accurate (in terms of place-names and language). The evening reception in Washington was also accompanied by four days of photo exhibitions of Western Balkan countries: two days at the Ronald Reagan Building and two days at Farragut Square Park.

The **Recycling Sector** did not receive any activity funds during the Third Quarter. The Rahovec/Orahovac municipality continues to implement the "Business Going Blue" campaign, encouraging the private sector to support a cleaner municipality through recycling. PET collections continue to increase. One inspiring activity related to a cleaner Kosovo was "Let's Do It Kosova" Day, a nationwide cleanup day organized by a local NGO. The entire KPEP project team (including the security guard) participated in picking up garbage along the shores of Lake Batllava.



The support service components—**Business Support Services, Work Force Development and Business Enabling Environment**—remained fully functional during the Third Quarter. BSS and WFD have been critical in all internship program activities as well as in providing support to associations. Of note has been the pivotal engagement of BSS/WFD in the continuing development of the KEK training center, as it provides for increased professional training to both welders and heavy equipment operators. BEE support has continued to provide critical project coordination between KPEP and both USAID and non-USAID partners. This collaboration has led to increased opportunities for leverage as well as opportunities for KPEP's experience to have an impact on other donor programs.



SEAD Standard Form Contracts launching event

BEE work was highlighted particularly in terms of its contribution to Standard Form Contracts. In collaboration with the USAID Systems for Enforcing Agreements and Decisions, KPEP drafted three Agriculture Standard Form Contracts. KPEP Chief of Party presented these contracts along with the SEAD Chief of Party and the USAID Mission Director on June 13, at an event held at the Emerald Hotel.

Moving into Quarter Four, KPEP is prepared for both the successes of seeing long-term results realized and the challenges of closing out the project. The project office will relocate to a smaller space to accommodate the beginning of staff draw down (scheduled for the first month of Quarter Four). KPEP intends to begin its asset disposition of operational assets at the beginning of Quarter Four, recommending other USAID projects as recipients as well as local NGOs and associations. Later in Quarter Four, the legal process of disposing of assets purchased as part of the Strategic Activities Fund will begin. Quarter Four will also see an uptick in North Kosovo activity as funds will be disbursed for the Start Up Grant program, the greenhouse project (over 150 in total), and the mushroom project. The smaller project team will continue a high level of activity, focusing primarily on the North but also in ensuring activities in the rest of Kosovo come to a sound conclusion and are monitored as long as possible.

Component 1: Increased Competitiveness of Key Sectors

Agriculture: Livestock

Livestock Industry: Dairy

Objective 1: Increasing Value

Benchmarks

- **At least two dairy plants HACCP certified (Achieved)**

KPEP is working with two dairy plants, Eurozona and Magic Ice, to assist them in acquiring HACCP certification. During Q3, based on a consultant's recommendation, both dairy plants divided their production units, completed new floor plan designs and changed the layout of their equipment, all in compliance with HACCP requirements. The changes eliminate cross-contamination paths within the dairy plants.

- **At least one private label contract signed. (Achieved)**

This benchmark was completed in Q2.

- **At least 10,000 kilograms of dairy products exported under private labeling. (Achieved)**

Beginning in Q2, Bylmeti exported 11,000 kilograms of peppers filled with cream to Albania, under the Lufra label. Bylmeti also exported, this time under its own label, another 40,000 kilograms of product, selling them to the Tirana-based dairy Extra Milk. However, expected increases in private-label exports did not materialize, due to apparent customer preference for the Bylmeti-labeled product, despite the two products being identical in all other aspects.

- **Funding raised for the dairy promotion campaign. (Achieved)**

This year KPEP played a largely facilitating role in the dairy promotion campaign, although it continues to underwrite it with ever-smaller amounts of financial assistance. The bulk of the campaign's funding now stems from the Ministry of Agriculture, Swiss Solidar and Kosovo Dairy Processors Association. The partners engaged the "Republika" marketing company to implement the dairy promotion campaign activities. As a part of the dairy promotion, Kosovo marked the World Milk Day for the fifth year running, with domestic dairy processors Vita, Rona, Bylmeti, Kabi, Abi, Golaj, Magic Ice, Ajka, Sharri and Eurozona participating in events staged in downtown Pristina. The event allowed the dairies to promote their products, an effort that will be followed up with point of sale (POS) efforts organized in supermarkets throughout Kosovo, as well as with billboards placed in most strategic locations.



USAID Kosovo Mission Director Maureen Shauket and Minister of Agriculture Blerand Stavileci visiting company booths during the World Milk Day event

- **Ensure the enforcement and implementation of existing trade agreements between Kosovo and other countries. (Ongoing)**

Based on the Law No.03/L- 220, on May 23, 2012 the Ministry of Finance has adopted a new directive (07/75) which introduces a new excise tax for imported dairy packaging materials. According to the Bylmeti dairy plant, the new tax increased the price for vacuum plastic bags for white and yellow cheese to 3 Euros per kilogram. This action has increased the cost of production to the point where it is no longer competitive. Bylmeti has filed a complaint with the MTI but the issue remains unresolved.

Additional Achievements

For the first time ever in Kosovo, KPEP, working in cooperation with the University of Iowa and Eurolona dairy farm, initiated a bovine embryo transfer project. Actual transplantations should commence in Q4. The Kosovo Food and Veterinary Agency (KFVA) has issued an embryo import permit for 20 in-vivo bovine embryos.

Challenges

Challenges faced in previous years with seasonal milk surplus have now been overcome. This year there should be no interruption in milk collection due to seasonal milk surplus. The surplus is being partially absorbed by existing dairies that are building their stocks and partially by new entrants in the dairy market, such as the Koral and Rugova dairies.

Activities planned for next quarter

- Drafting and delivering the manuals for the transport of products, hygiene safety regulations, training and equipment calibration.
- Launching the bovine embryo transfer project.

Livestock Industry: Dairy

Objective 2: Increasing Diversity

Benchmarks

- **At least 2 client firms will introduce new dairy products, including fruit yogurt and seasoned gouda cheese. (In progress)**

In Q3, Devolli dairy plant installed a fruit yogurt filling line. It plans to commence production of fruit yogurts during Q4. Additionally, the Sharri dairy plant processed its first batch of seasoned gouda cheese, using about 200 liters of raw milk. Technologists from the Sharri and Rugova dairies learned how to produce seasoned gouda during the dairy technology-training program that took place last year in Minnesota.

Additional Achievements

The demand for raw milk increased sharply during Y4, leading dairy farmers to increase herd sizes. KPEP is working with MAFRD and commercial lending institutions to support the development of affordable lending programs to assist commercial dairy farmers in expanding their dairy herds.

Challenges

The Euroлона dairy is facing challenges in sourcing locally produced fruits at reasonable prices prior to its launching production of fruit yogurts. The initial idea was to start with strawberry yogurt but the price of strawberries remains high, given the lack on the market of second-grade strawberries suitable for processing.

Activities planned for next quarter

- Commence production of fruit yogurt by the Devolli dairy plant.

Livestock Industry: Dairy

Objective 3: Increasing Productivity

Benchmarks

- **At least 2,000 samples a month analyzed, with test results delivered electronically via SMS and email to dairy farmers and dairy processors. (In progress)**

At KPEP's request, KFVA's IT specialist approved placing a link on KFVA's website for publishing raw milk test results. The password-protected link is now active, with results being made available to the 1,203 dairies with holding numbers, as well as certain officials from KFVA. This achievement allows dairies and KFVA officials to act faster in addressing problems with raw milk quality. According to the raw milk quality decree, for payment purposes, the milk samples from all dairy farmers issued registration numbers should be collected and analyzed at KFVA's raw milk lab twice a month. Therefore the benchmark for collecting and analyzing 2,000 raw milk samples a month will be exceeded in Q4.

- **All dairies apply the milk quality decree. (Ongoing)**

The board of the Transparent Raw Milk Sampling Project established a team that includes MAFRD, KVFA, KAMP, KDPA SLA and KPEP officials, who regularly visit dairy processing companies to ensure enforcement of the milk quality decree.

Additional Achievements

Info Tech, a local IT company, designed a website for publishing the raw milk test results. As of Q3 the website is operational.

Challenges

Bactoscan did not function for two weeks, leading dairies not to pay for milk according to the parameters set by the milk quality decree. There is an urgent need to install back up instruments at KFVA's raw milk lab in order to avoid misunderstandings between dairy farmers and dairy processors and to avoid interruptions in raw milk testing.

Activities planned for next quarter

- Upgrading the website by inserting the correction factor, based on the milk quality decree, to display the category for each milk sample after undergoing analysis at KFVA's raw milk lab.
- Visit dairies to ensure the uniform application of the milk quality decree.

Livestock Industry: Poultry

Objective 4: Increasing Value in the Poultry sector

Benchmarks

- **At least one broiler-growing contract signed. (Achieved)**

This benchmark was achieved in Q2. The two broiler out growers have received the feed and day-old birds from the Konsoni company. Approximately 8,000 broiler birds are now growing in contracted out grower barns located in two villages close to the Konsoni slaughterhouse. KPEP provided technical and financial advice to out growers useful in calculating production costs. It also provided advice on barn lighting and feed formulations, as based on the bird growth cycle.

- **Sales will be increased by at least €400,000 by the end of September 2012. (Achieved)**

This benchmark was very nearly achieved one quarter earlier than planned. The increase in sales of fresh poultry meat by the Konsoni broiler processing plant in Q1, Q2 and Q3, when compared to the same period a year earlier, amounted to 392,808 Euros.

Additional Achievements

In Q3, Konsoni inaugurated a new broiler slaughtering line that will increase the broiler processing capacity 10 times, to 20,000 birds per shift. This investment will provide security for broiler out growers that seek to make additional investments in increasing the capacities of their broiler growing facilities.

Challenges

Low-cost imports from Brazil constitute a threat, as do price fluctuations due to market saturation and the availability of feed.

Activities planned for next quarter

- Providing technical assistance to the contracted broiler out growers.

Agriculture: Fruit and Vegetable

Agriculture: Fruit and Vegetable

Objective 1: Increasing Value

Benchmarks

- **At least one new vegetable processing company initiates production of processed fruit and vegetable with an investment of more than €200,000. (In process)**

The Hosa Fresh company so far has invested up to 100,000 Euros in preparing its new vegetable processing line and vegetable collection center. Investments and preparations remain in process.

- **At least 5,000 metric of vegetables used in the process industry – up from 2,000 metric tons in 2011. (In process)**

Ask Foods, a processing and export company, agreed to deliver 2,000 metric tons of processed vegetables, worth 1.5 million Euros, to the importer Kelmendi GmbH.

In Q3, KPEP reported Ask Foods signed contracts with farmers in the village of Moglilla, near Viti/Vitina, to supply 300 metric tons of peppers and other vegetables. Ask Foods supported the farmers with seed and fertilizer. This marks the first such contract in eastern Kosovo. Ask Foods is in the process of contracting for the 2012 processing season with other KPEP clients in the Anadrinia region.

Abi & Elif contracted for another 1,000 metric tons of second- and third-class peppers with the Koperativa Bujqesore Krusha e Madhe; overall, it plans to process 7,000 metric tons. The Krusha Madhe cooperative also contracted for another 600 metric tons of peppers, for export to Albania, with the Sejega vegetable processing company (formerly known as the Perdrini Farmer's Association, which has been transformed into cooperative with the support of KPEP. The move makes it eligible to enter in contracting and export transactions).

The contracting and delivery supply agreements are in process, especially given the “habit” of traders to finalize contracts closer to the harvest because of market price movements.

- **At least 10,000 metric tons of fresh vegetables sold internationally. (In process)**

Kelmendi GmbH confirmed the demand for 2,500 metric tons of fresh peppers for export to the European Union.

Also, regional wholesale traders confirmed interest in more than 8,000 metric tons of fresh product. Mt. Koroglu from Turkey, in cooperation with Hosa Fresh, seeks another 400 metric tons of fresh peppers.

- **At least 7 new hectares of greenhouse will be established. (In process)**

The greenhouse project to deliver 150 units to farmers in north Kosovo remains in process; during Q3, 20 units, of 120 square meters each, were delivered to farmers.

- **At least 75 farmers will receive the Israeli greenhouse package. (Partially achieved)**

This benchmark was partially met during Q3. From the initially planned 100 greenhouses, only 12 of the Israeli-made greenhouses were delivered to farmers in Gjakova/Djakovica, Ferizaj/Urosevac, Gjiilan/Gnjilan and Pristina. Furthermore, of the 12, four were rejected by their recipient farmers. So far, substitutes for three of the four have been found. Of the others, nine are currently in use, with the first harvest of cucumbers reported in late June.

- **Vegetable production from greenhouse increases by at least 1,000 metric tons in 2012 (In process)**

Note that the projected greenhouse capacity available for vegetable cultivation is expected to reach 2.2 hectares. That area should allow for the annual production of 200 to 300 metric tons of vegetables.

Challenges

The two-year Israeli greenhouse project has proved a challenge due to the involvement of seven stakeholders: Gjakova-1 Cooperative, Israeli promoters, various Kosovo farmers, USAID KPEP, CDF-World Bank, Raiffeisen Bank and the GoK.

Lesson learned:

1. Kosovo farmers do not want the simple tunnel type of greenhouses only for summer season cultivation, even though the offer appeared very affordable (5,000 Euros + 3,000 Euros grant from CDF) and included a greenhouse of 0.1 hectare, along with seedlings, fertilizers, drip irrigation system and technical advice.
2. However, farmers had to seek loans from Raiffeisen, a process that ultimately scuttled the participation of the bulk of the group. The bank denied loans to 88 of the 100 farmers; of the remaining 12, only some wound up borrowing money, with the rest paying cash.
3. The 16% VAT on each unit came to 1,120 Euros, a significant amount for the farmers. KPEP intervened with the GoK, unfortunately without success, in seeking to obtain a VAT exemption for the imported greenhouses.

Activities planned for next quarter

- Final implementation of Israeli greenhouse project and training of new operators
- Facilitate training on fruit and vegetable postharvest handling
- Continue advising and creating linkages to introduce processing technology to new vegetable processors such as Hosa Fresh, Rizona and Fitimi.



Photo taken by KPEP

The first cucumbers grown in the Israeli-made greenhouse are harvested at Labinot Haliti farm, in Komogllave, outside Ferizaj/Urosevac, in late June. The farmer planted seedlings on June 15 and harvested the first cucumbers 11 days later.

Agriculture: Fruit and Vegetable

Objective 2: Increasing Diversity

Benchmarks

- **At least 100 farmers involved in shiitake mushroom cultivation. (Activity handed over to USAID YEP)**
- **At least 5 metric tons per month of shiitake mushroom produced by the out grower process. (Planned for future period)**
- **Participating farmers increase gross revenues by at least €4,000 per month during the production season. (Planned for future period)**

The project completely transmitted to USAID YEP and is in phase of final implementation.

Agriculture: Fruit and Vegetable

Objective 3: Increasing Productivity

Benchmarks

- **At least 200,000 grafted seedlings sold in 2012. (Partially achieved)**

The robot grafting machine granted by KPEP to 'Fidanishtja e Godancit' will be promoted in Q4 as a test, due to difficulties experienced in purchasing and delivery. The machine will be ready for the 2013 season.



Fidanishtja e Godancit, Shtime/Stimlje, received a USAID KPEP grant to purchase the first robot grafting machine in the Balkans. The machine arrived in late June and should be first used on a pilot basis in July.

- **At least 20 new farmers plant locally produced grafted seedlings. (Planned for future)**

Nothing to report in Q3. Demonstration seedlings will be shown to farmers during the balance of the KPEP project. The equipment should enter into full-time use during the 2013 season, beginning in February.

- **At least one large fruit/vegetable aggregation center to become operational in 2012, supported by KPEP advisory. (In process)**

The Ministry of Agriculture, Forestry and Rural Development (MAFRD) has pledged to provide financial support to eligible companies that seek to build three large-scale packhouses for fruit and vegetables. After the tendering process, construction of these aggregation units should begin in 2013, in Peja/Pec, Xerxe and Gjilan/Gnjilane.

At the point, three Kosovo companies have passed first phase of the selection process. All three are KPEP clients.

The second stage will require the selected companies to prepare and submit complete applications and business plans.

Additional Achievements

- Ask Foods exported the first of two 42-foot containers of processed vegetables to the United States. The product, mostly ajvar relish, was worth \$20,000. The exports come as a result of a direct linkage with Rugova Trading Inc. that KPEP helped forge in 2011 at Washington, D.C.'s Fancy Food Show.
- Ask Foods also has signed an export agreement with Kelmendi GmbH, thanks to KPEP's mediation, for 1.5 million Euros in processed vegetables.

Activities planned for the next quarter

- Support Fidanishtja e Godancit in finalizing the grafted seedlings project.
- Work with Kelmendi GmbH and its production programming.
- Continue work with YAPRAK on its private extension service.
- Work with farmers who started cultivation using the Israeli greenhouses by providing agronomist advice and marketing facilitation assistance.
- Work with Kelmendi GmbH and other stakeholders on the export of fresh vegetables for processing.

Agriculture: Non Wood Forest Products

Non Wood Forest Products

Objective 1: Increasing value

Benchmarks

- **At least five new firms will acquire HACCP certification. (Achieved)**

KPEP successfully supported five client firms in obtaining HACCP certification before the start of the collection and processing season. Just a few weeks after one of the firms, the Besiana company, obtained certification it received two purchase orders for its wild harvest mushrooms. The first order, from UK-based Market Mushrooms Ltd., is worth roughly 10,000 Euros, while the second order, worth 8,000 Euros, came from International AB, based in Sweden. The trade contacts forged by the other HACCP-certified companies hold promise for future exports.

- **At least 300 collectors will receive training on environmentally sound collection practices. (In process)**

This activity remains in process and is taking place partially through aggregator client companies that have a larger number of new collectors entering the harvest this season.

- **Cultivated herb production expands by at least 50 hectares in 2012. (Exceeded)**

Herb production expanded to 80 hectares, more than meeting the 50-hectare benchmark. KPEP's efforts also focused on increasing herb cultivation among collectors of wild commodities, given their knowledge and resources, as well as assisting vegetable farmers, including farmer's associations and cooperatives, in rotating their regular crops with herbs. KPEP has also worked to increase the drying capacity of its client firms, given their current ability to handle no more than 40 hectares' worth of cultivated product. KPEP has aided client firms in obtaining financing and/or donor support.



Tractor-mounted harvester working a cultivated chamomile field in Istog/Istok.

- **Provide training for NWFP collectors in cooperation with collection centers. (Partially achieved)**

KPEP is working with the main NWFP processing companies, i.e. those with the largest number of collection network centers and largest number of collectors, so they may better protect the natural resources upon which they depend. The trainings began in the pre-harvest period, with follow-ups during the harvest season. They will include the municipal agriculture officers responsible for the subsector.

Additional Achievements

In addition to increased efforts to establish commercial plantings of NWFP, KPEP has supported activities to improve the local market for processed cultivated herbs. This effort has met with some positive results, as supermarkets look to increase their range of high-end products.

Challenges

One of the major challenges still remains the lack of local sources of expertise. KPEP seeks to create an environment where agronomists will see the benefits of becoming specialized in herb cultivation. They could serve local HACCP-certified processing companies that seek to enter the high-value export market.

Activities planned for the next quarter

- Increase efforts to help companies identify suitable specialists who can lend valuable expertise for specific tasks.

- Continue to actively promote farmer interest in cultivated production of NWFP and link this interest with exporters.



Further processing of harvested chamomile at the APS Company in Istog/Istok.

Non Wood Forest Products

Objective 2: Increasing Diversity

Benchmarks

- **At least 3 NWFP firms participate in appropriate sector trade fairs. (Achieved)**

Four client companies fulfilled during Q3 the 2 million Euros in sales agreements they struck during the BioFach trade fair held in Q2.

No trade fairs were held during Q3.



Kosovo NWFP generated significant interest at the BioFach fair in Nuremberg, Germany



KPEP supports client companies in obtaining HACCP certification and improving their technological processes.

- **At least 50 metric tons of wild harvest chestnuts exported. (Achieved)**

An agreement that the Hit Flores company struck at BioFach to ship sweet edible chestnuts to Fratelli, an Italo-Hungarian company, has increased to now include 300 to 500 tons of product. This increase is due to seasonal conditions that have proved more positive than those seen last year for this wild commodity. Previous KPEP assistance to Hit Flores, which has improved its infrastructure and machinery, has increased the firm's ability to sell chestnuts in EU markets.

- **Sales of NWFP increase by at least 25%. (To be achieved)**

The seasonal conditions prove to be much better for some major commodities, including wild mushrooms and blueberries, which remain popular export products with good margins. Overall demand by EU markets for collected and cultivated products continues to grow.

- **Areas of cultivated raspberries increases by at least 10 hectare in Shterpce/Strpce and Dragash/Dragas. (Achieved)**

KPEP's raspberry-related support to YEP and municipal authorities continued in Q3. The project aided in the planting of 10 hectares of intensified raspberry orchards and installing of nearly seven hectares of drip irrigation systems in Shterpce/Strpce municipality. KPEP also provided monitoring assistance, together with local authorities, the MVM farmers' association and Scardus company. KPEP also continued with marketing efforts to seek clients interested in buying fresh-packed raspberries, both for retail sale and further processing.



Early raspberry season

Activities planned for next quarter

- Continue to use KPEP's marketing network in order to initiate value-added raspberries sales in the local market.
- Continue to support APS in the growth and maintenance of its existing business relationships with Martin Bauer Group, Weleda AG, Bionorica AG and others in developing its cultivated NWFP area this season.
- Continue to support Hit Flores with its aggregation process that covers the new processing, cooling and storing capacities within the company.

Forestry: Forests

Forestry: Forests

Objective 1: Complete accreditation of Forest Stewardship Council Standard (FSC) for Kosovo (ongoing)

Benchmarks

- **Accreditation of the FSC Standard for the Republic of Kosovo by the FSC International Centre Policy and Standard Unit in Bonn, Germany. (Achieved)**

Kosovo's national FSC Standard won approval on June 29, and will be effective starting Oct. 1. The standard is applicable to all forests operations seeking FSC Certification within Kosovo. The standard applies to all forests types to be found in Kosovo and in all types of ownership. KPEP, together with MAFRD/ KFA and other stakeholders, will organize a promotions event for this important achievement and its relevance for the sustainable use of forest resources in Kosovo.

- **Awarded FM certificates for at least two management units: Ahishte in Kaçanik/Kacanik and Koritnik in Dragash/Dragas. (In process)**

During Q3, KPEP continued to present to key national and municipal forest authorities the main impacts, costs and benefits of forest certification. To make the FSC requirements more accessible for KFA and municipal forest management teams, as well as for other interest groups, KPEP and the KFA continued to provide information on how to use the FSC standard in forest management operations. This effort will aid in carrying out necessary improvements before the pre assessment begins, thereby ensuring that forest organizations are properly prepared for this process. As the result of this joint activity, KFA is planning to rehabilitate 5.8 kilometers of roads in the Koritnik II – Dragash/Dragas unit, as well as adapt its internal instructions for the evaluation of forest operation impacts on water, soil and the broader environment as approved by the KFA Board. These developments are expected to improve forest management operations as well as achieve the preconditions for certification of the Koritnik II – Dragash/Dragas unit.



Road rehabilitation in the Koritnik II Dragash/Dragas forest unit.

- **CoC certificate for at least three private wood-processing companies issued. (In process)**

KPEP continued throughout Q3 to update the members of AWPk with the latest developments on the EU Timber Trade Regulation, which will come into force in 2013. The regulation will prohibit wood processors from Kosovo in placing harvested timber and timber products on the European market unless they bear CoC certification, in an effort to limit illegal logging. KPEP also followed up on the identification of potential wood-processing companies that would make attractive candidates for CoC certification. The effort led to its identifying four: Tefik Canga Design, Elnor, Peja Wood and Korenica.

Additional Achievements

During Q3, KPEP and Mali Suhareka followed up on the independent initiatives carried out by students enrolled in participating schools in Dragash/Dragas, Suhareka/Suva Reka and Junik. KPEP contributed to efforts to inspire students in developing new ideas about addressing and promoting the importance of the sustainable use of forests as well as the role of forests in their own future lives.



Students discussing new ideas for the sustainable use of forest resources.

Forest maintenance through silviculture treatment. (Finalized)

During Q3, the NGO “M&A Help and Support” in Leposaviq/Leposavic completed the silviculture treatment of young stands across 162 hectares and submitted its final report. This KPEP investment positively impacted employment, growth and overall forest health, as well as benefitted the local population by providing them with firewood that would have otherwise be left to decay on the forest floor. This activity should benefit future sustainable logging operations as well as reduce the near-term demand for illegally harvested firewood by increasing the local supply of fuel wood.

Donor support for continuation forest certification process

During Q3, KPEP met with the Norwegian embassy and Luxemburg Office for Development to explore their playing a role in the continued support of the forest certification process in Kosovo, given KPEP's nearing the end of its project life. In addition, the KPEP team presented a short work plan that contains the necessary steps to ensure this continued support, generating benefits for the forestry industry and other interest groups.

Donor coordination to support forestry sector

As in Q2, KPEP continued to participate in the Forestry Donor Meetings. It actively engaged in presenting developments on the FSC certification process, as well as expounding on the impacts of forest certification. In doing so, KPEP reached out to all interested groups and donors in the forestry sector (SIDA, SNV, FAO, EU, Finnish and Norwegian embassies).

Challenges

- Ensure funding to implement the FSC certification requirements on the ground.
- Overcome the slow progress made by state forestry institutions on improving the quality of planning and harvesting techniques and in meeting FSC requirements on forest management operations in order to eliminate identified gaps before pre audit and main audits may begin.

Activities planned for next quarter

- Continue to seek donor support to continue the important work in Forestry Certification, who can then provide technical support to the Kosovo Forest Agency and various municipal forest authorities to meet FSC requirements on preparing selected management units for the pre-audit and main audit and FSC forest certification for Ahishte – Kaçanik/Kacanik and Koritnik II – Dragash/Dragas.
- Continue to support AWPk to identify at least three private wood-processing companies for CoC certification, and assist them to identify financing.
- Publicize the approval of the forestry standard, including an event with the Minister of Agriculture and the USAID Mission Director.

Forestry: Wood Processing

Wood Processing

Objective 1: Increasing value

Benchmarks

- **At least 10 marketing and furniture design interns placed. (Achieved)**
- **AWPK prepares and presents industry position including biomass to at least two commercial banks.**
- **AWPK implements the furniture design competition.**

In Q1, KPEP achieved the benchmark of ten interns placed in design- and marketing-related positions. The biomass and design competition activities were dropped when funds shifted to high-impact activities in other sectors.

- **AWPK annual plan developed and implemented. (Achieved)**

AWPK has developed its annual operations plan in Q2. It included preparations for client firms to attend the Mebel trade fair in Skopje, Macedonia. Their successful participation led to 1 million Euros in potential export sales.

Additional Achievements

Thanks to KPEP's support, AWPK has become the recognized voice of the wood industry in Kosovo. KPEP has supported AWPK throughout in establishing contacts with different donor organizations. Based on the AWPK strategic plan, KPEP supported AWPK in presenting proposals to USAID BEEP as well as the Norwegian embassy's economic growth program.

Support AWPK in implementing its annual operational plan, and organizing the annual "Natyra" fair in Pristina. **(Achieved)**



Maureen Shauket, USAID Kosovo Mission Director, at the opening of 'Natyra 2012' Wood Processing Trade Fair.



The major event in wood processing sector during Q3 was the 2012 Natyra Fair. USAID provided €5,000 (\$6,258) in financial support to the furniture and wood-processing industry fair. The assistance was used to cover marketing and promotional costs, including leaflets, banners and billboards, as well as television and radio ads.

The June 14-18 fair was organized by the Association of Wood Processors of Kosova (AWPK). It drew 56 wood-processing companies, furniture manufacturers and wood processing machinery manufacturers.

Wood Processing Industry

Objective 2: Improving productivity

Benchmarks

- **At least two firms produce products that meet EN or other internationally recognized standards. (Achieved)**

Achieved in Q2.

- **At least two biomass producing firms increase production capacity. (Achieved)**

Aring and Himi Deva installed additional briquette manufacturing capacity during Q3.

Additional Achievements

KPEP continues to support growing manufacturing capacity, improving product quality and increasing efficiency, all in support of increasing the overall competitiveness of the industry.

Activities planned for Q3

- KPEP continued to support growing manufacturing capacity, improving product quality and increasing efficiency, all in support of increasing the overall competitiveness of the industry. **(Achieved)**

In Q3, KPEP's work with Lean, a new biomass client, led to its setting up a new pellet manufacturing plant.

Construction: Road

Objective 1

Improving productivity

- **A second round of road design certification is made available for new Kosovo engineers and offered to the below. (Achieved)**
 - **At least 20 road infrastructure – master’s students (new accredited curriculum at the University of Pristina).** (The class, held April 16-22, included 16 master’s students, who participated in the geometric road design course module led by a Texas Transportation Institute (TTI) instructor)
 - **At least five technical government staff (MI).** MI or Ministry of Infrastructure staff received training during the first Texas Transportation Institute course. The course included three modules and took place Feb. 28 through April 1, 2011. During the latest round, the MI reported not having any staff available to send for training.)
 - **At least 10 post-graduate students from the faculty of civil engineering.** (The course was prepared for master’s degree students)

KPEP again supported the University of Pristina’s Faculty of Civil Engineering’s offering a course on geometric road design, held April 16-22. The module satisfies the request for support made by the dean of the faculty of civil engineering to help the university increase its course offering in order to create a master’s degree in road infrastructure. The university now has that capacity.

Indeed, the 16 students taught by the TTI lecturer over the one-week course on geometric road design represent the first participants in the newly accredited master’s degree program in road infrastructure.

In an effort to develop in-house skills for continuation of this training effort, Esat Gashi, a teaching assistant at the University of Pristina, assisted with teaching this year’s course. Gashi participated in last year’s training and now works as a part-time road design consultant in the private sector. During this year’s training, Gashi taught a portion of the course; in the future, he and other University of Pristina faculty members, under the supervision of the Texas Transportation Institute, should assume greater responsibility for teaching the geometric design course.

The course provided participants with an opportunity to learn the principles of the geometric design of roadways, while applying international standards, guidelines and policies.

This one-week activity successfully concluded KPEP’s support to the Faculty of Civil Engineering in developing in the coursework required to improve road design capabilities in Kosovo and to develop in-house skills for the long-term sustainability of the Road Design Master’s Degree Program at the University of Pristina.

In the future, the University of Pristina and TTI will continue to collaborate, but with lectures delivered not in person but through a teleconferencing system, with limited budget implications.

- **Develop a sustainable and operational plan for the welder training center. (Achieved)**
Completed during Q1.
- **At least 20 new welding operators trained and certified. (Achieved)**
Completed during Q2, with benchmark exceeded.
- **Local accreditation of training program. (Achieved)**
During Q3, the welder training center, with USAID KPEP support, gained local accreditation. The training program is now recognized as a professional vocational training program, in full compliance with local requirements and regulations.
- **Develop sustainable and operational plan for HEOTC. (Achieved)**
Completed during Q1.
- **At least 100 new HEOTC operators trained and certified. (Achieved)**
USAID KPEP engaged the Ministry of Labor and Social Welfare, which then signed an agreement with KEK to train 100 unemployed and/or unskilled workers in heavy equipment operations. The training started with 35 students recruited from employment centers across Kosovo.
- **At least 70% of unemployed trained persons placed with firms.**
The benchmark target figure will be established once the employment status of applicants is known)
This benchmark will be addressed during Q4.
- **Local accreditation of HEOTC training program completed. (In process)**
During Q3, the KEK training center submitted all required documentation along with an official application in seeking local accreditation program for its Heavy Equipment Training Program. The KEK Training center expects to be evaluated and accredited by the Center of Competency and Accreditation during Q4.

Construction: Materials

Objective 1

Increasing value

Benchmarks

- **Business plan prepared for the temporary MESP board on how to implement the recently approved Administrative Instruction. (Achieved in Q2)**

The Implementation of the Administrative Instruction for the Professional Licensing of Architects and Engineers, led by the temporary board of the Ministry of Environment and Spatial Planning (MESP), with the support of KPEP, continued smoothly on course during Q3.

During Q3, the board discussed and updated the business and action plans, outlining all the next steps to organize the first licensing cycle.

The board agreed with an idea proposed by KPEP to postpone by roughly six weeks the training seminar for professionals and potential examiners due to the approval and transition process of the construction law.

In May, the board released a public call for applications from all interested professionals to become examiners, receiving in turn 65 applications. Architects represented 36 of the applicants, with civil, structural, mechanical, electrical and HVAC engineers making up the balance.

In June, KPEP informed the general secretary of MESP and the chairman of the board of the project's end. Under the terms of the MOU signed with MESP, KPEP has successfully accomplished all the tasks it committed to in supporting the MESP board. The temporary MESP board will continue to implement the remaining articles of the Administrative Instruction 06/2011. The first licensing cycle is planned to take place in October 2012. The board has throughout the process considered the advice of KPEP's STTA and sector specialist.

- **Documents finalized establishing the procedures for the examinations (documentary administration and examination tribunals). (Achieved in Q2)**

The examinations procedure documents were finished during Q2. Most of the procedures are set forth in the Administrative Instruction 06/2011.

- **Documents finalized establishing the principles of the examinations. (Achieved in Q2)**

The principles of the examinations have been defined. The UK-based STTA advisor provided final guidance on this topic.

- **Examinations drafted. (Partially achieved. This is an ongoing process, with all examinations expected to be prepared by the examiners before the first cycle of licensing, scheduled for October 2012)**

The STTA advisor provided and explained examination examples to the board. The examiners, slated for selection in July, shall in cooperation with the board draft the examinations for Kosovo professionals.

- **First licensing cycle for the first group of architects and engineers conducted. (To be achieved in October 2012; the speed of the process depends entirely on the MESP board)**

The temporary MESP board and KPEP have discussed and clarified all the next action steps required to conduct the first cycle of licensing. The board remains fully committed to concluding this process, regardless of KPEP support, as the project closes out.

- **Chambers of Architects and Engineers formed. (To be achieved in December 2012; the speed of the process depends entirely on the MESP board)**

To be achieved in a subsequent phase, after the board has licensed roughly 100 architects, as well as 150 engineers. The ideal would be if the chambers could be created in December 2012. This milestone will heavily depend on how many architects and engineers will be licensed during the first cycle in October.

- **Study report on outsourcing opportunities for architectural and engineering companies. (Achieved)**

The report on outsourcing opportunities and challenges will help architects and engineers in Kosovo to identify and develop businesses with similarly interested companies from more developed countries. The report also will provide valuable information for future international donors that might be interested in supporting the construction sector.

- **Technical assistance for production processes and product quality improvements provided to targeted firms. (Achieved)**

KPEP advised Inox IMN, a stainless steel company, on ways to improve product quality and on how to present its products to the market.

The project provided marketing advice to the Ecotech paints and plaster company in Vushtrri/Vucitrn.

- **Completion of product certification requirements initiated with the targeted firms. (Achieved)**

KPEP supported the Ferplast pipe company, based in Ferizaj/Urosevac, in obtaining all required product certification requirements, as prepared by an Austrian standards company. Since the company's offer proved too expensive, Ferplast sought and received a second, lower priced offer from a Bulgarian standards institute. Due to the program's closing, KPEP could not support Ferplast with a requested grant to obtain international product certification for its water pipes.

Further regarding product certification issues, KPEP held a round table with the Kosovo Chamber of Commerce's construction materials member companies. The purpose of the meeting was to create a list of firms whose lack of product certification prevents them from entering new markets. KPEP, because of its close partnership with the sector, supported KCC in drawing up the list and advocating for assistance among other international donors. KCC

does not have the resources to fund the certification. However, KCC can work alongside its members to provide the services they require. In this case, the service would involve helping firms find donors willing to support product certification. This marks an example of a function previously performed by KPEP, but that KCC now can perform independently. During June, just a handful of companies (fewer than expected) filled out the form prepared by KPEP. The aim had been to attract more than 10 companies that could describe how product certification would substantially increase employment and sales. KPEP has encouraged KCC to follow through on this task.

- **Assistance on technical data preparation provided to the targeted firms. (Achieved)**

KPEP has advised Inox IMN and other clients on how to improve the technical data related to their products.

KPEP has also successfully encouraged them to invest in marketing, in order to better compete in the market.

During Q3, Rizam launched its first website, in order to better inform potential clients about its products.

- **Brickos is assisted in launching the new line. (Nearly achieved; inauguration of the new line may be delayed for few weeks)**

The Brickos brick producer is working to finalize its investment in a new production line by the end of July. The firm has purchased and received, with KPEP assistance, two sets of programming equipment required for the new production line. The new line will enable Brickos to double production, increase sales by 1 million Euros and create 25 permanent jobs.

- **Vinex is assisted in launching new products. (Achieved in Q1)**

The Vinex company has established its new guardrail production line, completed on a cost-share basis with KPEP.

- **Rizam is assisted in establishing and operating a new quality control laboratory. (Achieved in Q2)**

KPEP assisted the Rizam company, a clay bricks manufacturer, based in Mamushe/ Mamusha, a village outside Krushe e Vogel/ Mala Krusha, in establishing its new quality control laboratory. KPEP financed the most essential instruments required for the lab. KPEP's assistance in establishing the lab should further enable Rizam to meet the standards required for product certification.

Additional activities for Q3

The new Kosovo Chamber of Kosovo website, which included a new format and a new Serbian-language section, all produced with KPEP support, was promoted on April 6, during a public event at KCC. The event included minority-owned businesses, which received a pledge of support by KCC officials. **(Achieved in Q3)**

Objective 2

Increasing diversity

Benchmarks

- **At least two firms participate in one regional/international product fair. (Achieved in Q2)**

KPEP cooperated with IPAK in sending a Kosovo delegation to MADE, the major architecture, building materials and construction trade fair held Oct. 5-8 in Milan, Italy. The delegation included representatives from the following six Kosovo-based construction materials and architectural-engineering firms: Brickos, Inox, GM Architecture, Gacaferi, MADEN and IPN. KPEP assistance to the firms targeted their finding potential business partners as well as their further learning about the latest products and services offered by the construction industry, including those that they could produce domestically. Attendance led to multiple meetings with a variety of international companies to discuss possible business opportunities.

- **At least one firm introduces a new product line into the import substitution market. (Achieved in Q2)**

Vinex launched sales of its guardrails, selling 500 linear meters of its (yet-uncertified) product to Bejta Commerce, a road construction company.

Challenge

Once Vinex can certify its guardrails according to the standard EN 1317 1:2010 (E), it will be able to substantially substitute imports of this product. (KPEP estimates an import substitution rate of 50% to 70%.)

With the increased sales of other Vinex products, the firm should be able to invest in gaining certification for its guardrails. The cost of certification is estimated to be 51,000 Euros. The challenge obtaining certification, given its cost, is common industry-wide, as firms gear up to produce increasing volumes of high-quality products.

Objective 3

Improving productivity

Benchmarks

- **At least 5 manufacturers increase market share for their product range. (Achieved)**

Five KPEP clients (Rizam, Brickos, Ferplast, Ecotech and Vinex) have continuously increased their market share, by improving their product offerings and by increasing their market linkages.

- **5 clients benefiting from KPEP internal consultant resources. (Partially met)**

KPEP provided consultancy support to the paint and plaster company Ecotech; clay bricks manufacturer Brickos; metal processing company Vinex; and Inox a stainless steel processing company. In discussions with the companies, KPEP advised them of the priorities on which they should focus in coming months.

- **At least €1,000,000 in increased sales amongst assisted firms. (Achieved)**

By the end of Q3, KPEP construction materials clients increased their sales by an aggregate 3,826,597 Euros since the start of the project.

- **At least 20 new jobs created within assisted firms. (Achieved)**

By the end of Q3, KPEP construction materials clients added an impressive 322 Full Time Equivalents (FTE), since the start of the project.

- **At least 2 firms export a product to a new market. (Partially met)**

The Ferplast company has begun exporting plastic sewage pipes to Albania. This business is growing, thanks in part to the new highway which has decreased transportation costs.

Vinex has the potential to commence exporting product as soon as it gains certification for its guardrails. Vinex is working to finalize this issue by year's end.

- **At least 2 firms develop new products. (In progress to be achieved in August)**

The new Brickos production line will enable it to debut two new clay products. This investment is ongoing and should be complete by the end of August.

- **At least 2 firms develop new products (In process)**

The new Brickos production line will enable it to debut two new clay products. This investment is ongoing. The benchmark will be achieved by the end of Q3.

Information Communication Technology (ICT)

Objective 1

Increasing Value

Benchmarks

- **At least one company invests in Kosovo's BPO sector (Achieved)**

Achieved in Q2.

- **At least two Kosovo companies attend the CallCenterWorld trade fair to establish contacts. (Achieved)**

Achieved in Q2.

- **One content product that presents Kosovo outsourcing companies is developed. (Canceled)**

This activity has been canceled due to lack of IPAK ability to implement within KPEP's timeframe.

- **At least two initiatives that promote Kosovo as a near-shore destination to regional BPO companies and one initiative in EU countries. (Achieved)**

Achieved in Q2.

- **At least two companies receive marketing support for the CeBIT trade show. (Achieved)**

Achieved in Q2.

- **At least one company receives investment from a local or foreign investor. (In process)**

A KPEP beneficiary firm continues to negotiate an equity investment from a European Union or Norwegian firm. KPEP facilitated the relationship with the Athene Project, a Norwegian organization funded by the Norwegian government, which operates an ongoing matchmaking project with Norwegian firms. KPEP will continue to support the company in identifying a suitable investor.

Meanwhile, Tekfuze, an application development company, received an 8,000 Euros investment from a foreign investor.

Challenges

- Kosovo's international image among foreign investors continues to prove to be an obstacle to attracting foreign direct investment.

Objective 2

Increasing diversity

Benchmarks

- **At least 15 individuals are trained in new training programs. (Achieved)**

KPEP supported Tekfuze, a local ICT firm, in training 17 students who have either completed or are nearing completion of their studies in electrical engineering at universities in Kosovo. The training took place at Genesis Technology Center, a local non-profit that specializes in providing practical, hands-on training in electronics design, manufacturing, embedded systems development and robotics. By Q3, this training and internship program provided local engineers with practical experience in developing and manufacturing embedded control systems. Tekfuze plans to develop and manufacture products mainly for clients abroad.

KPEP also supported Adaptivit, another local ICT firm, in implementing an internship and training program for five new hires slated to work on a new project with a Danish partner company. Adaptivit will provide IT support services for the Danish ICT firm, which specializes in GIS-based software products and services. Adaptivit is also in talks with a company in Germany to provide IT support services.

- **At least one new electronic device product is developed or manufactured in Kosovo. (Achieved)**

Achieved in Q2.

- **One new venture begins exporting services to foreign markets. (Achieved)**

Achieved in Q2.

Objective 3

Improving productivity

Benchmarks

- **At least one initiative to improve university curricula. (dropped)**

This activity was dropped due to difficulty to identify the university partner.

- **30 interns are placed in ICT firms. (In process)**

STIKK surveyed its members at the beginning of Q2, using a survey developed with KPEP's assistance, to define the common training needs of those members interested in hiring summer interns. The results of the survey will serve to identify the specific training courses that would be helpful in increasing the employability of interns and in filling in the gaps between university curricula and job market needs. In Q3, KPEP supported STIKK in developing a proposal for the KITE (Kosovo Improvement Through Education) program to organize a summer school for the interns.

- **At least 30 people are trained in various training and certification programs. (Achieved)**

Achieved in Q2.

Tourism

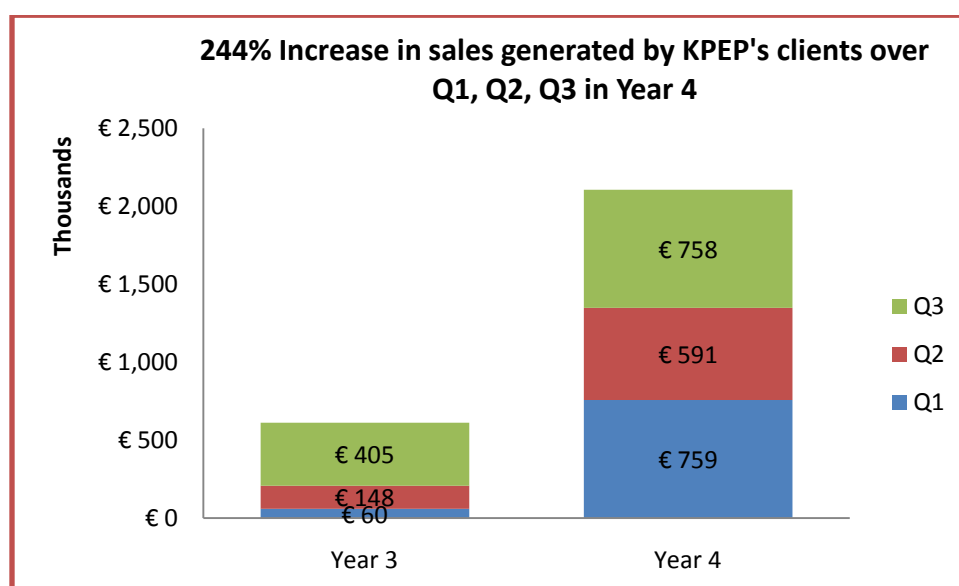
Objective 1

Increasing Diversity

Benchmarks

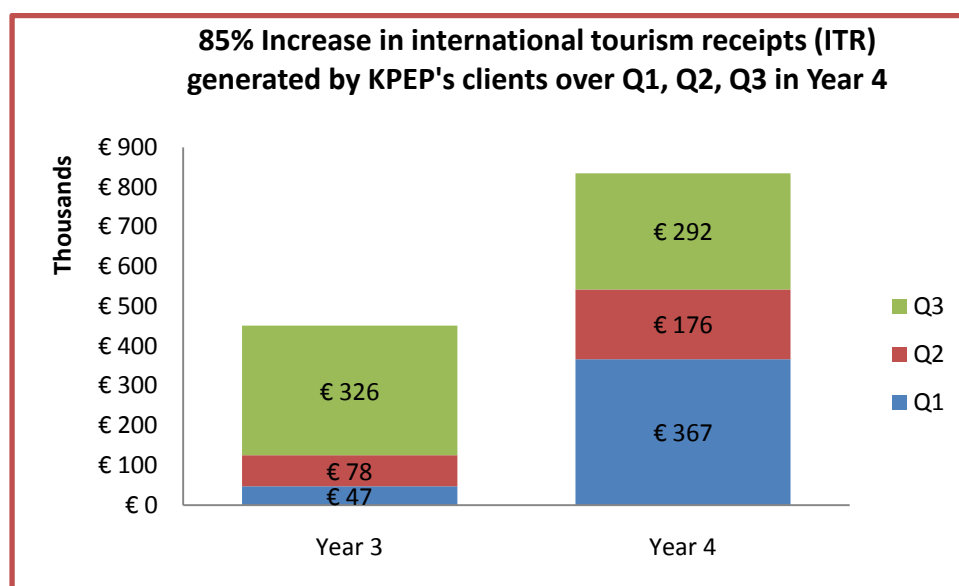
- At least a 300% sales increase generated by KPEP clients (over 2010 performance). (In process)
- At least a 100% increase in international tourism receipts (ITRs)¹ generated by KPEP clients (over 2010 performance). (In process)

KPEP's client tourism sales during Q1, Q2 and Q3, as measured by local and international receipts, increased by 244% when compared to the same three quarters of Y4. The below graphic illustrates the increase.



International tourism receipts, which made up 40% to 50% of total sales during Q1, Q2 and Q3, continued to show marked increases over the same period of Y3. Q1, Q2 and Q3 receipts, as measured by KPEP's clients, increased 85%. KPEP believes the results realistically reflect the state of the tourism industry as whole. That is encouraging news, given the efforts made to promote Kosovo within regional packaged tours.

¹ ITRs represent in economic terms a country's receipts in the form of consumption expenditures or payments for goods and services that foreign visitors make out of foreign currency resources.



These increases indicate healthy sector growth, spurred largely by an increasingly active tourism association that continues to see participation in regional fairs as critical to improving the position of Kosovo as a regional tourist destination. In turn, this growth will do much to draw additional investments and commitments to the sector. This increased market profile is reflected in the increased number of regional tour operators that include and actively promote Kosovo among their destinations.

KPEP clients achieved this success partly through the project's support of the Kosovo Alternative Tourism Association (KATA) in providing marketing and promotion services to its members, and partly through KPEP's participation in broader efforts to promote the Western Balkans as a unified tourism destination.

KATA's major promotional activity during Q3 involved its participation in the tourism fair in Albania. KPEP also participated in the fair, where it held a presentation on tourism in Kosovo and its role in enabling economic growth and facilitating investment. Based on reports from KATA, 18 tourism businesses (including travel agencies, hotels and spa resorts), seven wineries, six families from Prizren involved in the handicraft trade and the Tourist Information Center Rahovec/Orahovac joined to represent Kosovo at this fair. The fair covered broad coverage by both electronic and print media. As a result of the fair, the following hotels reported bookings: Hotel Nartel (30 guests); Spa Banja e Klllokotit (16 guests); and Hotel Dukagjini (28 guests). Meanwhile, the Hotel Emerald and Hotel Sirius received more than 50 emails from travel agencies interested in establishing cooperative relationships. And the Agency Fibula signed two agreements with agencies from Albania.



KATA members participating at the Tourism Fair in Albania

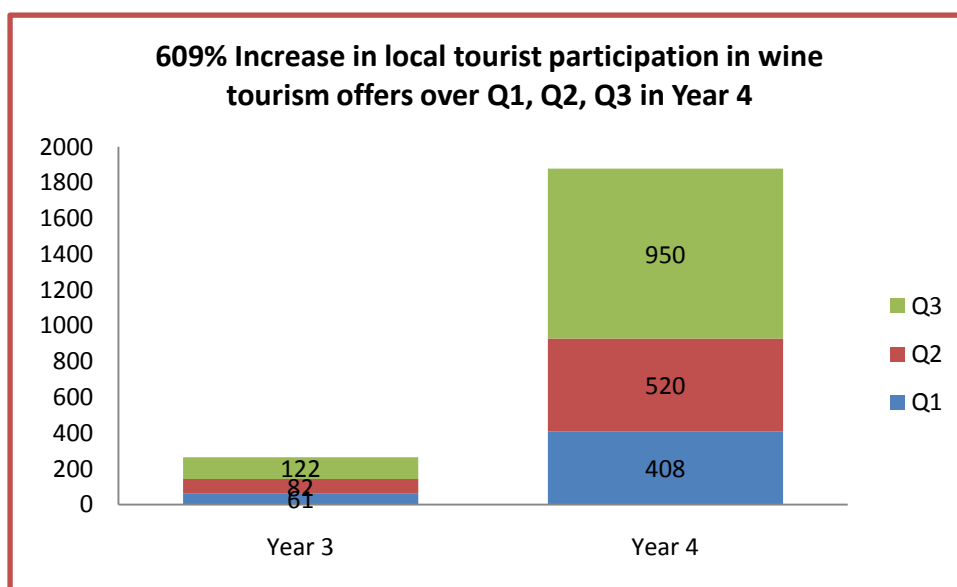
In addition, KPEP continued to provide capacity-building assistance to KATA. KPEP's tourism specialist worked with KATA on completing two project proposals for bidding: 1) Building Infrastructure and appropriate signage for a two-kilometer walking path in Brod, in Kosovo's southern Dragash/Dragas area, funded by the Regional Environmental Center (REC); and 2) Peja Tourism Street Fair 2012, funded by the Peja municipality. KATA won and has since completed the first project, worth 15,000 Euros.

Another important, KPEP-supported marketing activity involved the travel fair and related promotion of the Western Balkans Geotourism Map Guide website and National Geographic supplement. Over the three-day event, more than 1,000 visitors stopped by the KosovoGuide stand during the fair. This presentation was widely covered by local and regional media. As a result, KosovoGuide added four new experience providers as members; another six providers expressed interest in joining the NG map guide to Kosovo.

While it is too early to forecast what increase the full year will bring, the trend is certainly positive over Q1, Q2 and Q3. Increased tourist numbers generated the increases in receipts. Most notably, international tourist numbers showed a remarkable 500% increase in Q1, when compared to the previous quarter.

- **At least a 50% increase in international tourist participation in wine tourism offers (over 2010 performance). (In process)**

Over Q1, Q2 and Q3, KPEP continued to seek opportunities to synergize efforts with other donors to further implementation of the two-year action plan that stemmed from the Wine Tourism Strategy for the Rahovec/Orahovac region. The return on KPEP's investment in Y3 in building tourism-related infrastructure and facilities, as well the initiatives undertaken independently by the private sector to increase the diversity of tourist offers, led to a 147% increase in international tourist participation in wine tourism offers over Q1, Q2 and Q3 in Y3, and a 609% increase in local tourist participation in wine tourism offers. Granted, these percentage improvements are off a very low base. However, it remains encouraging to see such returns on the investments in physical and human capital. It is particularly rewarding to see the marked increase in local tourist participation.

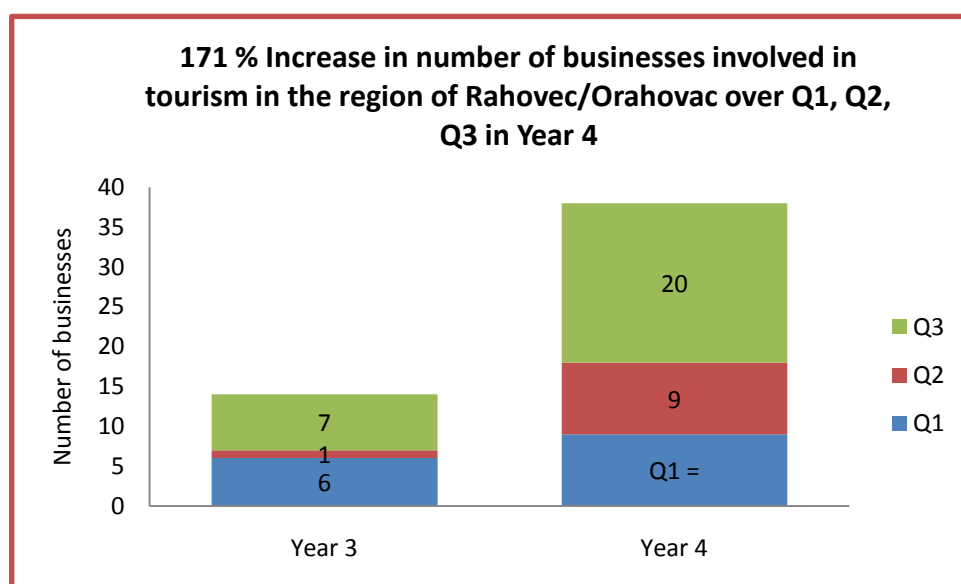


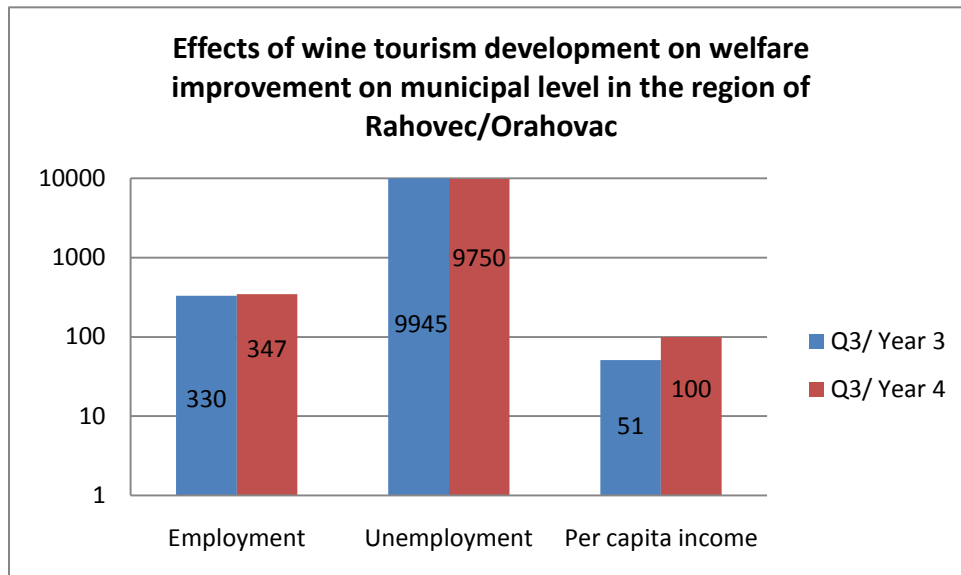
The increase in local tourist participation clearly shows a response to the public relations and other media-related actions undertaken by various cellars and the wine information center. KPEP continues to work with the Wine Route South Kosovo project funded by the European Commission Liaison Office (ECLO) in the amount of 297,000 Euros. KPEP supports the project by providing advice and linkages, as well as ensuring that signage envisaged by the project remains consistent with the overall regional product.

Both ITR's and local tourist participation data derive from reports made by eight tourist companies, all members of Wine Tourism Task Force. These companies have also reported a 140,343 Euros in investments, in developing production capacities, tourism offers and infrastructure.

- **At least a 50% increase in the number of small businesses involved in tourism in the targeted region of Rahovec/Orahovac (over 2010 performance). (In process)**

The tourism awareness campaign, launched by the municipality of Rahovec/Orahovac in Q4 of Y3, with KPEP support, seeks to encourage the local community to launch businesses and other activities specifically linked to the region's potential as a wine destination. While general-awareness campaigns are slower to show their effects, KPEP's investment has already begun producing real results. During Q1, Q2 and Q3 entrepreneurs launched more than 35 new businesses linked to wine tourism. The evolving nature of these new businesses remains of particular interest. Initially, local wine cellars provided the main impetus to new business creation as they diversified into ancillary activities. However, so far during Y4, restaurants, artisanal cheese and handicraft producers have all increased their wine tourism-linked offers. The engagement of these small businesses indicates the further establishment of a well-established culture of wine tourism. As such, it augurs very well for the future.

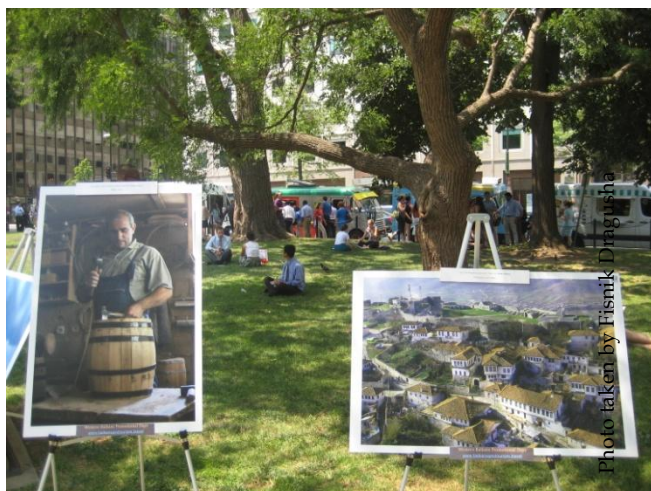




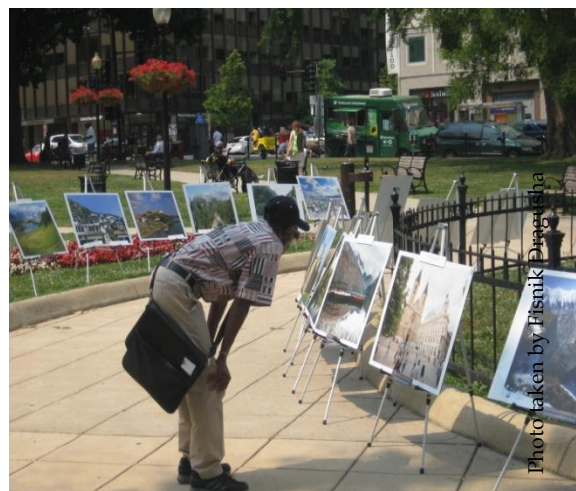
- **Establish at least 5 new bed and breakfast (B&B) facilities in the Rahovec/Orahovac region. (In process)**

KPEP reassessed the need to assign a local consultant in developing a general study on development planning of rural tourism and a B&B network in west and south Kosovo. It concluded that it would be more rational to encourage the Rahovec/Orahovac municipality, located in south Kosovo, and the Gjakova/Djakovica municipality, in west Kosovo, to integrate B&Bs with IPA-funded cross-border projects involving Albania and Kosovo. In this regard, KPEP is providing assistance to both municipalities in finding partners in Albania and developing project proposals, all according to IPA requirements.

Additional Achievements



Kosovo exhibiting at the Farragut Square in Washington D.C.



- KPEP supported KosovoGuide in participating in the Western Balkans National Geographic Geotourism MapGuide event during Washington, D.C. promotion week. During the promotion week, KosovoGuide exhibited images of Kosovo that portrayed its appeal as a tourist destination, distributed bookmarks and postcards and held a reception at the National Geographic Society attended by more than 150 guests. Attendees included diplomatic officials, tour operators and representatives of various foreign tourism associations. The event marked the debut of the online tourism portal. Media coverage included an interview of KosovoGuide's Fisnik Dragusha by Al Jazeera television. Voice of America also covered many of the events. As a result, KosovoGuide arranged for a group of 18 American students and professors associated with the "One World Youth Project" NGO to visit Kosovo July 4-16, staying at the Magra Austria Hotel in the Rugova Valley.

As an aside, Kosovo's Deputy Minister of Foreign Affairs, Petrit Selimi, expressed his appreciation during the event for USAID's work in burnishing the image of Kosovo abroad.

- KPEP's tourism specialist attended regular meetings with Wine Tourism Task Force and Rahovec/Orahovac municipality to organize and monitor the wine tourism trainings carried out by IP Center. So far, 17 of 20 participants have passed the exam for winery public relations personnel. KPEP continues to encourage wineries to allow personnel to attend the next two modules. Meanwhile, IP Center together with an American company developed a web site, www.kosovowines.com, to highlight local wines for export purposes. The project now seeks product information from local wineries to include on the site.
- KPEP's tourism specialist held a series of meetings with GIZ to confirm its commitment to fund the last two of the four modules that make up the wine tourism training program. The final two cover the training of service personnel and tour guides.
- The Sector Specialist attended a wine forum organized by "Enologjia," the winery association of Kosovo that receives support from GIZ under the auspices of the Ministry of Agriculture, Forestry and Rural Development, Rahovec/Orahovac municipality and Kosovo Chamber of Commerce. On behalf of the GoK, the minister of agriculture pledged to support wine producers through a wine excise fund for investments in wine businesses in the Rahovec/Orahovac area.
- KPEP's sector specialist discussed options for engaging a local STTA to design the tourism signalization and mapping of tourism sites and wine routes in Rahovec/Orahovac, as part of the Wine Route Project (WRP). The municipality of Rahovec/Orahovac agreed to finance a local STTA to this end, meanwhile KPEP's sector specialist will assist on defining the SOW.
- A delegation of Turkish businesses from Trabzon and Izmir visited Kosovo and conducted two day's worth of B2B meetings with members of the Kosovo Chamber of Commerce (KCC). The sector specialist attended one of the meetings, where the delegation from Izmir expressed interest in cooperating with Kosovo businesses in tourism and automotive parts.

Challenges

Due to KPEP's closing the challenge remains ensuring the projects aided by KPEP continue in a sustainable manner, without further donor support. Nevertheless, as part of KPEP's overall leveraging strategy, the project will continue to cooperate with German Organization for Technical Cooperation (GIZ), ECLO Wine Route South Kosovo project and other donor projects who work in tourism support.

Activities Planned for next quarter

- Continue to provide technical support to KATA.
- Continue to seek leveraging opportunities.

Recycling

Objective 1

Increasing Diversity

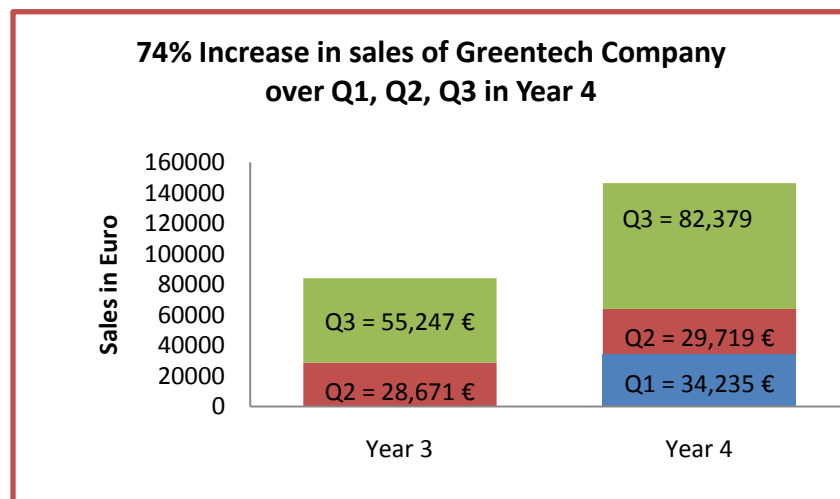
Benchmarks

- **At least three companies involved in the Going Blue initiative in Rahovec/Orahovac. (In process)**

The municipality of Rahovec/Orahovac initiated the first ever municipal-supported recycling initiative during Q2. Participation and enthusiasm continues to grow; this face, combined with a more robust tourism offering, should encourage further participation. It is anticipated that this benchmark will be exceeded by the end of Y4.

- **Greentech expands its PET collection by at least 25%. (In process)**

During Q3, Greentech reported its overall sales increased by 74%, when compared to the same period of Y3. The Greentech company began collecting PET in Q2 of Y3, assisted by a KPEP grant. During Q3, Greentech and KPEP visited the Edoni Company in Rahovec/Orahovac and together assessed the possibility of integrating this center within Greentech's network. Edoni expressed interest in expanding to include PET collection, beyond the other plastics it already collects. Greentech's initiative for creating a network of PET collectors was welcomed by the Rahovec/Orahovac municipality, given the role a clean environment can play in contributing to tourism development in the region. Greentech will provide necessary technical assistance and expertise for the creation of a PET collection network.



Activities Planned for next quarter

Follow up on the impact of PET collection by generating appropriate success stories that center on collectors and the collection points established with KPEP support.

Component 2: Business Support Services (BSS)

Objective 1:

Improving productivity

Benchmarks

- **At least two position papers to be developed by sector specific associations. (Achieved)**
- **At least one workshop regarding advocacy and association lobbying. (Achieved)**

Completed in Q2.

- **Integrate Business Consultants' Association in ADI index. (In process)**
- **At least one new member service to be provided. (In process)**

These two benchmarks will be conducted during quarter 4, when also the final ADI report will be delivered.

- **Apply for ICMCI internationally recognized standards. (Dropped)**

Due to budget constraints, as well as staff reductions, this activity cannot be implemented in Y4 of the project and as such will be dropped.

- **All association clients receive Y4 ADI assessment reports. (In process)**

Progress against Y3 on the following sector-specific associations:

- **STIKK Association from 3.1 to 4**
- **AWPK Association from 3.5 to 4**
- **KATA Association from 1.5 to 2.5**

The ADI report will be delivered in Q4.

Component 3: Business Enabling Environment (BEE)

Objective 1

Monitor BEE and Kosovo legislation for relevant issues. Coordinate with donors (ongoing)

Benchmarks

- **At least one new legislative intervention in support of KPEP sectors investigated. (Ongoing)**

Efforts to amend the Law on Tourism continued in Q3 of Y4. Earlier, during Q1, KPEP BEE provided written comments and suggestions (through the American Chamber of Commerce in Kosovo, or AmCham). As well, KPEP's tourism specialist participated in the GoK's working group on the law. During Q2, the GoK adopted the amendments on the Law on Tourism and sent them to the Assembly's working commission. However, the commission did not approve the proposed changes, and instead returned them to the GoK, specifically to the Ministry of Trade and Industry (MTI), which includes tourism in its mandate.

After providing the initial comments and suggestions, KPEP BEE did not engage further in the process of amending the legislation.

Challenges

Unifying the suggestions and comments pertaining to the Law on Tourism remains a challenge for the working group. The MTI needs to compile a more qualitative draft of the law and present it to the Assembly commission.

Activities Planned for Next Quarter

- KPEP BEE will continue to monitor the process of amending the Law on Tourism.
- KPEP BEE will also continue to support legislation relevant to KPEP's overall objectives, and will intervene and investigate all legislation deemed important for KPEP clients.
- **Draft at least two new standard form contracts for agriculture. (Achieved)**

During Y3, KPEP BEE, in cooperation with USAID SEAD, undertook the task of drafting three standard form contracts for agriculture. The standard form contracts cover sales, transportation and brokerage. KPEP BEE completed all three contracts, together with commentaries and user guides for each contract, to ease their use by anyone without a legal background.

During Q3, USAID SEAD formally launched a total of eight standard form contracts developed under its aegis. KPEP developed, under SEAD's guidance, the three contracts dedicated for use in agricultural transactions. USAID intends the standard form contracts for widespread use.

The utilization of a standard contract decreases business transactions risks and provides for more safety for both parties involved. During their launch, USAID SEAD distributed hard copies of the published contracts in English, Albanian and Serbian, as well as flash drives containing electronic versions. The standard form contracts are also available through the website www.kontrata.info. USAID KPEP continues to make electronic versions of these contracts available to its clients.

Challenges

The Law on Obligations was signed by the President of Kosovo on May 30, 2012, thus making effective the standard form contracts based on this law.

The challenge remains in enforcing the contracts.

Activities Planned for Next Quarter

KPEP will continue distributing electronic versions of the developed contracts to its clients, and assist them with any necessary clarification.

- **Where appropriate, participate in the American Chamber of Commerce in Kosovo (AmCham) Competitiveness Committee. (Ongoing)**

KPEP has cooperated with AmCham since project inception. It continued to cooperate during Q3, actively participating in a variety of activities, as described below. KPEP's working with AmCham helps the project raise issues with those working at the highest levels within the GoK and donor community. AmCham meets regularly with GoK ministers, providing exposure for businesses and raising awareness about important strategic issues, such as improving the business environment. Tapping the network of contacts shared by the AmCham board and its members also allows KPEP to act expeditiously.

During Q3, AmCham did not hold any Competitiveness Committee meetings.

Challenges

KPEP faces no challenges in cooperating with AmCham and its committee projects. However, the issues the committees discuss remain a challenge—they must continue to work together in tackling them.

Activities Planned for Next Quarter

Continue the mutual effort undertaken by committee members to assist economic development.

Additional Activities with AmCham

During Q3, KPEP attended various AmCham activities, including the certification of Kosovo Petrol with the ISO 9001:2008 International Standard for Quality Management Systems (QMS). The event marked the first such quality certification for any petrol company in Kosovo. A majority of AmCham members attended the event.

Challenges

No challenges identified in regards to the activities themselves.

Activities Planned for Next Quarter

KPEP BEE will continue to attend similar activities based on the needs of KPEP sectors and upon USAID request.

- **Legal advice to KPEP sectors—BEE to provide advice on sector-specific needs, such as contracts, MoU's, legal analysis, etc. (Ongoing)**

Tourism

KPEP's tourism specialist requested BEE's assistance in reviewing a draft Memorandum of Understanding for the support of Kosovo Guide in participating in a promotional event involving National Geographic in Washington, D.C. and implemented and funded by USAID's Regional Competitiveness Initiative (RCI). For more information, refer to the Tourism section of this report.

North

KPEP BEE drafted a Memorandum of Understanding for establishing cooperation between USAID KPEP and the Agropromet agricultural enterprise for the purchase and distribution of 20 greenhouses in northern Kosovo. For more information, refer to the North Kosovo section of this report.

Challenges

- No challenges identified with regards to cooperation.

Activities Planned for Next Quarter

- KPEP BEE will continue to provide its support when relevant on any issues that faced by KPEP sectors.

Additional Achievements with Donor Coordination

KPEP BEE continued to cooperate with other donor projects, both European and U.S. Beyond those meetings held during Q1 and Q2, KPEP facilitated and participated in three additional project coordination meetings during Q3. Programs participating in these meetings were: USAID KPEP, USAID BEEP, USAID YEP, USAID SEAD, EU SME, GiZ, Crimson Finance Funds, EU Trade Project, ADA, SME Support Agency, Innovation Center Kosovo and USAID GFSI.

Project and agency representatives used the meetings to discuss and present various topics of mutual interest, as well as opportunities for potential cooperation. Topics included small business days; doing business; inspection authorities; legislation including the Law on Licenses and Permits; progress on the implementation plan for the SME strategy; and the merger of IPAK and SMESA. The donor coordination group has received praise for being the first to show concrete results in fostering cooperation among donor projects. KPEP will continue facilitating and participating in these project coordination meetings.

Cooperation with EU SME and SME Support Agency

KPEP attended the opening ceremony of “Small Business Days ‘12” organized by EU SME and SME Agency, as well as numerous public and private institutions. Speakers at the ceremony were Mrs. Mimoza Kusari Lila, Deputy Prime Minister and Minister of Trade and Industry; Samuel Zbogar, EUSR/Head of EU Office in Kosovo; and Mrs. Maureen Shauket USAID Mission Director. SBD '12 will last from June 27 to November 30, 2012. The audience members expressed interest in future USAID support to small businesses in recycling, textile and women owned businesses.

KPEP also attended the conference for Women Leadership and Entrepreneurship, organized within the Small Business Days 2012. Speakers at the ceremony were Mrs. Mimoza Kusari Lila, Deputy Prime Minister and Minister of Trade and Industry; Vlora Citaku, Minister of EU Integrations; Mrs. Fatma Sahin, Minister of Family and Social Policies; and Mrs. Maureen Shauket USAID Mission Director. Together with Minister Lila and Mrs. Shauket, the panelists were also Ms. Ebru Ozdemir Chairperson of Limak investments and Mrs. Efka Heder, Director of South East European Center for Entrepreneurial Learning. All speakers and panelists expressed their continuous support for businesses lead by women, as well as shared their life experiences of successful women.

Cooperation with USAID BEEP

During Q3, USAID BEEP organized a focus group with beekeepers in Gjakova/Djakovica. The focus group discussed current legislation covering beekeeping and necessary reforms required by the sector. The discussion was very lively since no one had previously consulted or otherwise much involved the beekeeping sector in other discussions and/or focus groups. Major conclusions from the focus group were:

- Necessary amendments to existing legislation;
- Lack of any institutional support; and
- Lack of quality control of regional imports of beekeeping materials.

KPEP participated in the focus group based on the assistance the project had given during Y3 in seeking BIO licensing and certification for honey produced in the Peja/Pec region, a project initiated by BEEP.

Cooperation with USAID YEP

USAID YEP, together with KPEP's NWFP specialist, asked KPEP BEE to draft an agreement for the production and supply of shiitake mushrooms. The agreement provides that young entrepreneurs slated to receive grants from YEP to aid them in growing shiitake mushrooms, will have a guaranteed purchaser for the initial five years. The agreement developed by KPEP BEE is in use by YEP and its clients.

Challenges

- No particular challenges were identified in cooperating and coordinating with other donor projects.

Activities Planned for Next Quarter

KPEP BEE will continue to cooperate with other donor projects in all areas deemed important for KPEP sectors.

Component 4: Work Force Development (WFD)

Objective 1:

Improving Productivity

Benchmarks

Activity: Internship program with the Association of Wood Processors (AWPK). (Achieved)

- **At least 10 students to be placed as interns of carpentry/marketing/design fields.**
- **At least 70% of interns are Full Time Employees (FTE).**

Achieved in Q1.

Activity: ICT Internship

- **Program will place 30 university students as interns. (In process)**
- **At least 70% of interns are hired as Full Time Employees (FTE). (In process)**

STIKK surveyed its members at the beginning of Q2, using a survey developed with KPEP's assistance, to define the common training needs of those members interested in hiring summer interns. The results of the survey served to identify the specific training courses that would be helpful in increasing the employability of interns and in filling in the gaps between university curricula and job market needs. In Q3, KPEP supported STIKK in developing a proposal for the KITE (Kosovo Improvement Through Education) program to organize a summer school for interns.

Activity: Dairy Processing Internship Program. (Dropped)

- **Program will place 10 university students as interns.**
- **At least 70% of interns are hired as Full Time Employees (FTE).**

This activity was dropped because from the initial assessment of companies' needs KPEP concluded they were not ready to cover the costs of interns.

Activity: Sustainable implementation of Heavy Equipment Operators Training program

- **Develop a sustainable and operational plan for HEOTC. (Achieved)**

Completed in Q1.

- **At least 100 unemployed HEOTC to be trained and certified. (Achieved)**

USAID KPEP successfully engaged the Ministry of Labor and Social Welfare, which went on to sign an agreement with KEK to procure heavy equipment operator-training services for 100 unemployed and unskilled persons. The training began with 35 students recruited from employment offices across Kosovo.

- **At least 80% of unemployed and trained persons to be placed in firms.** *(The benchmark target figure will be established once the employment status of applicants is known.)*

This benchmark will be addressed during Q4.

- **Local accreditation of training program.**

During Q3, the KEK training center submitted all required documentation and an official application for local accreditation of its Heavy Equipment Operator Training Program. The KEK training center anticipated being evaluated and accredited by the Center of Competency and Accreditation during Q4.

Activity: Follow up and monitor the implementation of the Welder Operator Training Program

- **Develop a sustainable and operational plan for Welders Training center. (Achieved)**

Completed during Q1.

- **At least 20 Welders Operators to be trained and certified. (Achieved)**

Benchmark exceeded during Q2.

- **At least 70% of unemployed trained students to be placed in firms. (In process)**

The benchmark target figure will be established once the employment status of applicants is known.

- **Local accreditation of training program. (Achieved)**

During Q3, the welder training center, with USAID KPEP support, received accreditation and full recognition as a professional vocational training program, all in compliance with local requirements and regulations.

Activity: Follow up and monitor the implementation of the European Foundation Certificate in Banking (EFCB)

- **Local accreditation of training program. (In process)**
- **Train and certify 40 students with internationally recognized diplomas. (Achieved)**

During Q3, 40 trainees, most of them young bankers, completed EFCB training. In September 2012, however, the training will be advertised across Kosovo's universities, which should make the training more widely available to economics students.

Activity: Organize the Financial Industry Internship Program. (Dropped)

- **At least 30 university students to be placed in firms.**
- **At least 70% of interns are hired full-time following graduation.**

Due to a delay in IEFCB implementation for non bankers, this activity was unable to be completed within KPEP's timeframe.

Activity: Assist selected workforce development institutions to better meet the needs of the industry. (Dropped)

- **Internships with public institutions are replicated and expanded in at least one ministry and with municipalities**
- **Institutionalize with Public and Private Universities. (Dropped)**

From meetings with Ministry of Education KPEP learned that the Internship program could not be institutionalized because the MEST strategic plan was not ready within KPEP's timeframe.

- **Recruit and place 300 successful interns in 2011/2012. (In process)**
- **At least 40% of interns are hired full-time following graduation. (In process)**

During Q3, KPEP began implementing its cross-cutting internship program, placing 154 interns in different private-sector companies. KPEP anticipates at a minimum that 40% of the 154 interns will obtain FTE jobs following completion of the three-month program.

Activity: Entrepreneurship program – post-training support

- **At least 50 new jobs are created. (Achieved)**
- **At least 20% of successful entrepreneurs receive follow-on support. (In process)**

In cooperation with Business Support Center Kosovo (BSCK), KPEP monitored the entrepreneurs who had participated in entrepreneurship training. KPEP has since concluded that some 40% of the businesses are now indeed sustainable and pleased with their progress.

Activity: Conduct Training for Women Business Owners

- **At least 30 businesswomen trained. (Dropped)**
- **At least a 10% increase in sales for businesswomen, compared to Y3, (Dropped)**

KPEP coordinated closely with the Norwegian funded Womminovation. Womminovation is also part of the Innovation Center Kosovo, which in the last period was focused on moving to new premises; therefore, Womminovation was not able to move forward with the implementation. As such KPEP could not participate in the implementation of this project and delegated it fully to Womminovation.

North Kosovo Activity

* N.B. This section describes an activity not in the original KPEP Task Order. This section describes an activity initiated following funding increases of 750,000 Euros, on Jan. 21, 2011, and \$2.3M on July 25, 2011.

Objective 1:

Short-term employment generation

Benchmarks

- At least 30,000 work days generated (Exceeded)

This benchmark covers the following activities, the Ibar River Cleaning - 3 phases, Forestry Cleaning – 2 phases, Internship Program - 2 phases, and the first phase of the greenhouses project.

Forestry Cleaning

- Apply forest thinning over approximately 162 hectares of forest area in Leposaviq/Leposavic. (Achieved)
- Create short-term jobs for 60 workers. (Achieved)

During Q3, M&A Help and Support completed the activity with workers thinning in total 162.46 hectares of forest. Furthermore, the program extracted 768 cubic meters of firewood, which it then provided to 143 of the poorest village households in the area for use as fuel. Overall, 5,037 workdays have been completed over the life of the project.

The table below shows all details.

		Summary at the end of the completed work												
No.	Municipality	Mgmt. Unit	Compartment no.	Working area (in ha)	Treated area	Extracted wood (m³)	No. of households supplied	Workers employed/per ha			Ethnic structure			
								Supervisors	Chainsaw workers	Workers	Serbs	Other		
1	Leposavic	Jarik Belo Brdo	120/a	15.00	15.00	40	15	30	60	375	465			
2	Leposavic	Jarik Belo Brdo	120/b	5.00	5.00	8	4	10	20	125	155			
3	Leposavic	Jarik Belo Brdo	121/a	10.00	10.00	18	4	20	40	250	310			
4	Leposavic	Jarik Belo Brdo	121/b	12.00	12.00	34	7	24	48	300	311	61		
5	Leposavic	Jarik Belo Brdo	122/a	10.00	10.00	51	8	20	40	250	254	56		
6	Leposavic	Jarik Belo Brdo	122/b	3.00	3.00	18	3	6	12	75	67	26		
7	Leposavic	Jarik Belo Brdo	122/c	15.00	15.00	70	15	30	60	375	385	80		
8	Leposavic	Jarik Belo Brdo	139/a	15.00	15.00	76	14	30	60	375	440	25		
9	Leposavic	Brdja Letine	3/a	16.46	16.46	71	16	32.92	65.84	411.5	482.26	28		
10	Leposavic	Brdja Letine	11/a	20.00	20.00	72	16	40	80	500	595	25		
11	Leposavic	Dobro Brdo Lokve	98/a	21.00	21.00	91	17	42	84	525	618	33		
12	Leposavic	Dobro Brdo Lokve	99/a	20.00	20.00	219	24	40	80	500	509	111		
	Total			162.46	162.46	768	143	324.92	649.84	4061.5	4591.26	445		

Short-term Work (Internship) Project

- **At least 100 interns placed. (Achieved)**
- **At least 30% of interns obtain permanent employment. (Achieved)**

In Q3, after the successful implementation of the first phase of the short-term (internship) project, during which 42 of 100 interns obtained full-time jobs, KPEP's implementation partner, the Accounting and Finance Association (AFAS), placed another 60 interns with 13 different employers across north Kosovo. Interns and firms alike have expressed satisfaction with the program. The second phase of the internship program has since led to 35 interns signing full-time job contracts with their employers.

Short-term work—Greenhouse construction project (Ongoing)

During Q3, DST Product, a Kosovo-based greenhouse manufacturer, delivered 20 greenhouse packages to farmers in four municipalities in north Kosovo. Five farmers in each of the municipalities (Mitrovica North, Zvecan, Zubin Potok and Leposavic) received tunnel-type greenhouses, along with drip-irrigation equipment. KPEP will deliver another 130 greenhouse packages in Q4 to the balance of selected farmers. (Note KPEP received 193 applications following an RFA issued during Q3.)

Below are the first 20 greenhouse beneficiaries:

Nr	Name and surname	Village	Municipality
1	Dejan Zivkovic	Mitrovica	Mitrovica North
2	Hilmi Jusufi	Mitrovica	Mitrovica North
3	Fifa Ugljanin	Mitrovica	Mitrovica North
4	Florije Azemi	Mitrovica	Mitrovica North
5	Fatmir Beqiri	Mitrovica	Mitrovica North
6	Milovan Miletic	Grabovac	Zvecan
7	Djordje Radovanovic	Zitkovac	Zvecan
8	Dragomir Andjelkovic	Sendo	Zvecan
9	Marko Markovic	Zerovnica	Zvecan
10	Vladimir Mirkovic	Sendo	Zvecan
11	Ljubisa Bozevic	Z.Potok	Zubin Potok
12	Ljubisa Obradovic	Z.Potok	Zubin Potok
13	Stana Bascarevic	Z.Potok	Zubin Potok
14	Vojkan Tomovic	Z.Potok	Zubin Potok
15	Draguna Bascarevic	Z.Potok	Zubin Potok
16	Miljan Arsenijevic	Gornji Krnjin	Leposavic
17	Dusan Veljovic	Borova	Leposavic
18	Nebojsa Radulovic	Gornje Jarinje	Leposavic
19	Mirjana Kostic	Krs mala	Leposavic
20	Borisav Markovic	Socanica	Leposavic

Meanwhile, KPEP awarded Agropromet with 34,920 Euros under the greenhouse program. Agropromet, a private agricultural company, includes the 20 farmers who received the first donated greenhouses.

Mushroom Out-grower Project (Ongoing)

KPEP has been working with King Mushrooms, a joint venture operation based in Klina, in central Kosovo, to rehabilitate old SOE mushroom production facilities. The joint venture, which involves Kosovo and Dutch firms, will produce eringi mushrooms for sale in Europe, which currently sources the product from China. The market already exists and off-take agreements are in place for production. Kosovo, given its market proximity, can promise buyers significant shelf-life advantages. The facility will be able to produce all necessary sterilized compost and mycelium for its own production.

Shiitake mushrooms too are in high demand in Europe. Product grown in Kosovo can easily substitute the existing Chinese supply for the same reasons that locally produced Eringi can. The company therefore has been able to generate significant interest in its supplying this variety of mushroom. Initial concept meetings held between King Mushrooms and potential producers in north Kosovo have been productive and indicate a very positive response to the enterprise option.

During Q3, KPEP advertised on its website, in both Albanian and Serbian, a Request for Application (RFA) for 50 micro-producers interested in growing shiitake mushrooms in north Kosovo. The RFA also received distribution by KPEP's partners in north Kosovo, including CAIP and WBA, as well as through radio advertisements aired on Radio Mir, Radio Mitrovica and Radio Contact Plus. KPEP will proceed with this project during Q4.

Objective 2:**Business development, enhancing employment capacity – grants to businesses**

Benchmarks

- **At least 100 additional full-time new jobs created through established businesses. (Ongoing)**

The project has supported sixteen businesses to date, with the presumption that these businesses will generate 100 jobs by the end of the KPEP contract.

In Q3, KPEP awarded 8,300 euro grant, with the objective of expanding an established business, to Etno Selo Zavicaj.

Objective 3:

Entrepreneurship program

Benchmarks

- **At least 150 people trained. (Achieved)**
- **At least 100 business plans received. (Achieved)**
- **At least 100 startup grants will be disbursed, creating at least 200 new full-time jobs. (Ongoing)**

KPEP contracted the Business Startup Center of Kosovo (BSCK) to develop and implement the entrepreneurship skill training necessary to help individuals successfully establish businesses in any of the four northern municipalities.

In Q3, BSCK provided assistance to 100 participants in registering their businesses, a process that included the submission of documents to Kosovo Business Registration Agency (KBRA) on their behalf. During Q3, 92 grants won approval for delivery in Q4. The other eight are in process.

Women

Throughout Q3, KPEP supported women-owned businesses and women-led business associations. The project remained gender-sensitive in its overall selection of which businesses to support. KPEP supported the Association of Wood Processors of Kosovo (AWPK) in organizing the traditional wood processing “Natyra Fair 2012.” Amongst others, the fair was opened by three prominent women; the director of AWPK, Arieta Vula; the Minister of Trade and Industry, Mimoza Kusari Lila; and USAID Mission Director Maureen Shauket. KPEP continued its support to Hosa Fresh, a vegetable processing company, to secure employment for 12 women. Hosa Fresh is in process of installing a new vegetable processing line should lead to its employing a further 70 workers, most of them women.

During Q3, KPEP attended the conference on Women Leadership and Entrepreneurship, organized as part of Small Business Days 2012. All speakers and panelists expressed their ongoing support of businesses led by women, as well as shared their life experiences. KPEP will remain active in supporting activities related to women throughout the life of the project.

Microenterprises

USAID's economic growth programs in Kosovo target value-chain improvements through the greater competitiveness of firms, along with their products and services.

Microenterprises have been an important beneficiary of the USG assistance program. Such efforts can have significant impacts on microenterprises, especially in those sectors where competitiveness also requires product standardization at the producer level, such as the dairy industry. Mission support has focused on assistance to sectors where a significant number of microenterprises participate in the value chain, including organizations in agriculture, tourism, ICT and wood products. The mission also supports microenterprise development in addressing cross-cutting issues in workforce development, business enabling environment, and business support services. During Q3, KPEP distributed grants for start-up projects in the north of Kosovo. All these start-ups are microenterprises.

Entrepreneurship Program for North Kosovo

The "Entrepreneurship Program for North Kosovo," financed by USAID's Kosovo Private Enterprise Program (KPEP) and implemented by Business Support Centre Kosovo (BSCK), began in October 2011; eventually, 186 people received training in entrepreneurship and business skills. After the training, the candidates submitted more than 200 applications for evaluation by a professional jury. Of those, the jury deemed 92 (including 28 submitted by women) eligible for financial grants worth up to USD\$5,000 provided by KPEP. The grants should lead to at least 200 new full-time jobs.

The project aims to equip young entrepreneurs with the skills necessary for self-employment, provide assistance to entrepreneurs in developing viable business plans and foster the development and advancement of Kosovo's young workforce by inspiring, improving and supporting entrepreneurial activity. In doing so, the project aims to implement innovative approaches to job creation and economic growth, including by catalyzing enterprise creation and self-employment, and to strengthen the supply-side of the local labor market by increasing employability.

The youth of North Kosovo, ages 28 to 35, represent the main target group of this project. Each must possess a feasible business idea and a basic level of knowledge of the technical skills applicable to the field in which they propose to start an enterprise.

In order to register their businesses, participants completed all the necessary documents according to Kosovo Business Registration Agency (KBRA) procedures. BSCK provided assistance to all participants in registering their businesses, including through the submission of documents to KBRA. This was necessary due in part to the political situation in north Kosovo, and the local absence of KBRA offices.

During Q3, KPEP distributed 92 grants, worth 282,556 Euros, as part of this activity. The grants focused on four municipalities in the north of Kosovo: Mitrovica, Zvecan, Zubin Potok and Leposavic. Of the 92 grantees, 53 are active in different service industry sectors (locksmith, tailor, beauty salon, computer services, etc.), 31 work in agriculture, two in construction sector, while six in different production sectors, such as: production of candles, production of decorations for weddings and funerals, and production of traditional costumes from wool.

Support to Other Minority-populated Areas

Throughout Q3, KPEP continued to provide support to minorities across Kosovo. KPEP focused the bulk of its support on North Kosovo, where USAID has directed, via KPEP, 1,250.000 Euros and \$2.3 million in assistance. Though KPEP carries out other minority-targeted activities in the rest of Kosovo, these smaller-scale efforts still have broad reach and are worthy of mention. In agriculture, KPEP supported minorities in the dairy, fruit and vegetable and non-wood forest product sectors. In addition, KPEP also supports minority communities through its assistance to the tourism sector.

KPEP's database includes 10 direct client enterprises, six agricultural, three forestry and wood processing clients, and one construction firm located in minority areas. However, KPEP's support reaches many more companies and individuals in minority areas, including through its internship and other programs.

Dairy: During Q3, KPEP continued to support Bylmeti Dairy. Though non-minority owned, its suppliers of raw milk include farmers from minority areas, mainly Gracanica. KPEP helped the Kabi Dairy in Gjilan/Gnjilane win HACCP certification. It too purchases milk from minority farmers, mainly located in Kamenica/Kosovska Kamenica municipality.

NWFP: KPEP implements most of this sector's activities in minority communities. KPEP, together with USAID YEP, continues to support those food processors and supermarket chains that handle raspberries and that are located in predominantly minority areas of the Shterpce/Strpce and Dragash/Dragas municipalities. KPEP and YEP also reviewed applications submitted by 50 minority farmers seeking to begin growing raspberries under a raspberry microenterprise program begun by YEP.

Also, the Forestry sector recently aided Kosovo in gaining certification of its national FSC standard. The standard will be implemented initially in two forest management units, in Ahishte in Kaçanik/Kaçanik and Koritnik II in Dragash/Dragaš, populated largely by members of Kosovo's Gorani minority. The FSC requirements stipulate engagement of the local community in the entire forest management process, ensuring it benefits them as well.

Trade Capacity Building and Facilitation

Throughout Q3, KPEP continued to work on trade capacity building and facilitation.

KPEP, working in close cooperation with other donor projects, also maintained its focus on legislative reforms, export growth and customs policy. In Q1, KPEP addressed the concerns of the Kosovo Dairy Processors Associations (KDPA) regarding the dumping of dairy products from Macedonia. The complaint was addressed to the Ministry of Trade and Industry (MTI). In Q2, KPEP acted on the unlawful request by Macedonian authorities that Kosovo-based exporters present quality certificates. KPEP informed the MTI of this practice; the ministry took up the issue and resolved it shortly thereafter.

After action taken by KPEP and Kosovo Customs in Q1 to address the issue of Slovenian poultry meat being dumped in Kosovo, local producer Konsoni reported its sales grew by 392,808 Euros during the first three quarters of Y3.

KPEP continued to be engaged in additional trade capacity building efforts in Q3 in the form of cross-sector work. KPEP continued its support of different Kosovo industries in facilitating exports, both to the region and to the EU, and in encouraging them to more actively participate in regional and international trade shows and forge closer contacts with prospective partners.

Furthermore, KPEP continued to assist in raising the quality of products made by its client firms, as well as in preparing them for export by attaining internationally recognized quality certification. During Q3, KPEP continued to assist clients in obtaining Hazard Analysis Critical Control Points (HACCP) certification. Four companies (Besiana, Agro Peti, Scardus, and APS) have completed the certification process.

Forest certification

Throughout Q3, KPEP continued to provide close assistance to the forest certification process in order to increase the competitiveness of Kosovo's wood products. The FSC standard for the Republic of Kosovo received approval in June. The national standard is the first for any of the countries to emerge from ex-Yugoslavia. Come Oct. 1, it will be applicable to all forests operations seeking FSC Certification within Kosovo. Certification will allow wood and wood products from Kosovo to compete and be accepted in the EU market.

KPEP continued to update the members of AWPk on the latest developments with the EU Timber Trade Regulation, which will come into force in 2013. KPEP also continued to work with four wood processing companies (Tefik Canga Design, Elnor, Peja Wood and Korenica) that represent potential candidates for CoC certification.

Construction

In Q3, as in the two previous quarters, KPEP worked on trade capacity building in the construction sector. It also assisted producers of construction materials in improving product quality and in obtaining certifications. During Q1, officials began implementing the Administrative Instruction on the professional licensing of architects and engineers. During Q2, officials discussed how to conduct the first licensing cycle and clarified during meetings of the

temporary Ministry of Environment and Spatial Planning (MESP) board the necessary details of how to implement the Administrative Instruction on the Professional Licensing of Architects and Engineers, as well as the development of the examination process and licensing. The temporary MESP board and KPEP have discussed and clarified all the next action steps required to conduct the first cycle of licensing. The board remains fully committed to concluding this process, regardless of KPEP support, as the project closes out.

During Q2, KPEP signed a Memorandum of Understanding with the Kosovo Chamber of Commerce (KCC), with both parties pledging to cooperate in increasing employment, sales, exports, import substitution and investments in targeted private sector areas. During Q3, KPEP cooperated with KCC regarding product certification for various construction materials companies. Both parties created a list of firms that lack product certification and cannot enter new markets. Even though KCC does not have the resources to fund the certification process, it can work alongside its members to provide assistance for the firms in locating donors available to support product certification. This represents an example of a function that has been previously performed by KPEP, but that KCC can perform in the future.

ICT

During Q1 through Q3, KPEP supported Baruti, a Swiss-based service and contact center, in establishing operations in Kosovo. By the end of Q3, Baruti had increased its staff to 18 full-time and three part-time employees. The firm expects to grow further this year, adding more employees as it does.

During Q3, one KPEP client anticipated receiving an equity investment from a Dutch ICT firm but talks failed after the parties failed to reach an agreement. The Kosovo ICT firm now seeks other interested investors.

Meanwhile, Tekfuzi received a small investment from a foreign investor.

KPEP secured substantial leveraging from domestic and international partner donors and organizations to implement activities detailed in KPEP's Y4 workplan. IPAK agreed to commit more than half of the required resources for promoting investments in the BPO activity. The Innovation Center Kosovo supported mobile application (app) development training by providing equipment worth close to 10,000 Euros.

Dairy Sector

During Q1, Q2 and Q3, Konsoni saw a 392,808 Euro increase in poultry meat sales, when compared to the same period of Y3. Furthermore, Konsoni inaugurated a new broiler slaughtering line that will increase its broiler processing capacity tenfold, to 20,000 birds per shift. This investment will provide security for broiler out growers interested in making additional investments in increasing their broiler growing facilities.

Beginning in Q2, Bylmeti exported 11,000 kilograms of peppers filled with cream to Albania, under the Lufra label. Bylmeti also exported, this time under its own label, another 40,000 kilograms of product, selling them to the Tirana-based dairy Extra Milk.

Kosovo marked World Milk Day for the fifth year running, with domestic dairy processors Vita, Rona, Bylmeti, Kabi, Abi, Golaj, Magic Ice, Ajka, Sharri and Eurolona participating in events staged in downtown Pristina.

This year KPEP played a largely facilitating role in the dairy promotion campaign, although it continues to underwrite it with ever-smaller amounts of financial assistance. The bulk of the campaign's funding now stems from the Ministry of Agriculture, Swiss Solidar and Kosovo Dairy Processors Association. The partners engaged the "Republica" marketing company to implement the dairy promotion campaign activities. The event allowed the dairies to promote their products, an effort that will be followed up with point of sale (POS) efforts organized in hypermarkets throughout Kosovo, as well as with billboards placed in most strategic locations.

In Q3, the Devolli dairy plant installed a fruit yogurt filling line. It plans to commence production of fruit yogurts during Q4. Additionally, the Sharri dairy plant processed its first batch of seasoned gouda cheese, using about 200 liters of raw milk. Technologists from the Sharri and Rugova dairies learned how to produce seasoned gouda during the dairy technology training program that took place last year in Minnesota.

Wood Processing

The major event in wood processing sector during Q3 was the 2012 Natyra Fair. USAID provided €5,000 (\$6,258) in financial support to the furniture and wood-processing industry fair. The assistance was used to cover marketing and promotional costs, including leaflets, banners and billboards, as well as television and radio ads.

The June 14-18 fair was organized by the Association of Wood Processors of Kosova (AWPK). It drew 56 wood-processing companies, furniture manufacturers and wood processing machinery manufacturers.

Tourism

KPEP's client tourism sales during Q1, Q2 and Q3, as measured by local and international receipts, increased by 244% when compared to the same three quarters of Y4.

International tourism receipts, which made up 40% to 50% of total sales during Q1, Q2 and Q3, continued to show marked increases over the same period of Y3. Q1, Q2 and Q3 receipts, as measured by KPEP's clients, increased 85%. KPEP believes the results realistically reflect the state of the tourism industry as whole. That is encouraging news, given the efforts made to promote Kosovo within regional packaged tours.

KATA's major promotional activity during Q3 involved its participation in the tourism fair in Albania. KPEP also participated in the fair, where it held a presentation on tourism in Kosovo and its role in enabling economic growth and facilitating investment. Based on reports from KATA, 18 tourism businesses (including travel agencies, hotels and spa resorts), seven wineries, six families from Prizren involved in the handicraft trade and the Tourist Information Center Rahovec/Orahovac joined to represent Kosovo at this fair. The fair covered broad coverage by both electronic and print media. As a result of the fair, the following hotels reported bookings: Hotel Nartel (30 guests); Spa Banja e Kllokotit (16 guests); and Hotel Dukagjini (28 guests). Meanwhile, the Hotel Emerald and Hotel Sirius received more than 50 emails from travel agencies interested in establishing cooperative relationships. And the Agency Fibula signed two agreements with agencies from Albania.

Another important, KPEP-supported marketing activity involved the travel fair and related promotion of the Western Balkans Geotourism Map Guide website and National Geographic supplement. Over the three-day event, more than 1,000 visitors stopped by the KosovoGuide stand during the fair. This presentation was widely covered by local and regional media. As a result, KosovoGuide added four new experience providers as members; another six providers expressed interest in joining the NG map guide to Kosovo.

The return on KPEP's investment in Y3 in building tourism-related infrastructure and facilities, as well the initiatives undertaken independently by the private sector to increase the diversity of tourist offers, led to a 145% increase in international tourist participation in wine tourism offers over Q1, Q2 and Q3 in Year 3, and a 609% increase in local tourist participation in wine tourism offers.

KPEP supported KosovoGuide in participating in the Western Balkans National Geographic Geotourism MapGuide event during Washington, D.C. promotion week. During the promotion week, KosovoGuide exhibited images of Kosovo that portrayed its appeal as a tourist destination, distributed bookmarks and postcards and held a reception at the National Geographic Society attended by more than 150 guests. Attendees included diplomatic officials, tour operators and representatives of various foreign tourism associations. The event marked the debut of the online tourism portal.

Media coverage included an interview of KosovoGuide's Fisnik Dragusha by Al Jazeera television. Voice of America also covered many of the events.

As a result, KosovoGuide arranged for a group of 18 American students and professors associated with the "One World Youth Project" NGO to visit Kosovo July 4-16, staying at the Magra Austria Hotel in the Rugova Valley.

As an aside, Kosovo's Deputy Minister of Foreign Affairs, Petrit Selimi, expressed his appreciation during the event for USAID's work in burnishing the image of Kosovo abroad.

Wine tourism trainings, implemented by IP Center Austria, are progressing. So far, 17 of 20 participants have passed the exam for winery public relations personnel. GIZ confirmed its commitment to fund the "Training of Service Personnel" and "Training of Tour Guides" modules. These two modules mark the second half of the full package of wine tourism trainings.

Non Wood Forest Products

KPEP continued in Q3 to support exporters in this sector, with demand for Kosovo-sourced NWFP increasing. During Q2, four KPEP beneficiaries (APS, Hit Flores, Scardus and Eurofruti) participated in the BioFach fair in Nuremberg, Germany. Four client companies fulfilled during Q3 the 2 million Euros in sales agreements they struck during the BioFach trade fair.

The Hit Flores Company will export 300-500 tons of sweet edible chestnuts to Fratelli, an Italo-Hungarian company.

Just a few weeks after the Besiana company obtained HACCP certification, it received two purchase orders for its wild harvested mushrooms. The first order, from UK-based Market Mushrooms Ltd., is worth roughly 10,000 Euros, while the second order, worth 8,000 Euros, came from International AB, based in Sweden.

Fruits and Vegetables

The fruit and vegetable sector continued to achieve notable results during Q3. Hosa Fresh remains in process to install a new processing line and related equipment to commence vegetable processing in August 2012. Together with Rizona's investment in its own processing line, the two companies are on track to invest more than 200,000 Euros, with a concomitant increase in employment.

KPEP continued to facilitate sales across the region and throughout Europe, with seven trading/processing companies expected to export more than 10,000 metric tons of fresh vegetables in the upcoming season. Ask Foods, a processing and export company, agreed to deliver 2,000 metric tons of processed vegetables, worth 1.5 million Euros, to the importer Kelmendi GmbH.

In Q3, KPEP reported Ask Foods signed contracts with farmers in the village of Moglilla, near Viti/Vitina, to supply 300 metric tons of peppers and other vegetables. Ask Foods is in the process of contracting for the 2012 processing season with other KPEP clients in Anadrinia region.

Abi & Elif contracted for another 1,000 metric tons of second- and third-class peppers with the Koperativa Bujqesore Krusha e Madhe; overall, it plans to process 7,000 metric tons. The Krusha Madhe cooperative also contracted for another 600 metric tons of peppers, for export to Albania, with the Sejega vegetable processing company.

Kelmendi GmbH confirmed the demand for 2,500 metric tons of fresh peppers for export to the European Union.

Also, regional wholesale traders confirmed interest in more than 8,000 metric tons of fresh product. Mt. Koroglu from Turkey, in cooperation with Hosa Fresh, seeks another 400 metric tons of fresh peppers.

Ask Foods exported the first of two 42-foot containers of processed vegetables to the United States. The product, mostly ajvar pepper relish, was worth \$20,000. The exports come as a result of a direct linkage with Rugova Trading Inc. that KPEP helped forge in 2011 at Washington, D.C.'s Fancy Food Show. Ask Foods also has signed an export agreement with Kelmendi GmbH, thanks to KPEP's mediation, for 1.5 million Euros in processed vegetables.

KPEP will continue to assist with trade-capacity building and facilitation throughout the life of the project. Its assistance will address all issues raised by project clients, expanding on a demand-driven basis. Furthermore, KPEP will continue to cooperate closely with other donor projects and the GoK, as well as establish new cooperative relationships with other projects and relevant institutions. Doing so allows for a unified and unanimous approach in resolving trade-related issues.

Strategic Activities Fund (SAF)

SAF Review Committee: The SAF review committee continued to meet regularly. SAF attracted less applicant interest during Q3: KPEP received three concept papers, compared to the five it received in the previous quarter. None of these concept papers has been approved.

Requests for Proposals: During Q3, KPEP did not issue any Requests for Proposals (RFP) or Requests for Quotations (RFQ).

Requests for Applications: During Q3, KPEP issued two Requests for Applications (RFA) for north Kosovo. One RFA covered the small-scale greenhouse project and the other the micro production units for growing *shiitake* mushrooms.

KPEP awarded 94 grants, worth a total of €325,776 (\$412,158) in north Kosovo. Of them, 92 grants went to Small and Microenterprise Startups, implemented by BSCK, the Business Support Center Kosovo. One grant was awarded to Agropromet, a private agriculture company, where 20 farmers received greenhouses of 120 m² and another grant went to the expansion of an established business.

Distribution of awards by Type during Q3 of Y4:

Grants and Subcontracts Awarded		
Type of Award	Approved	% Distribution
Grants	€ 325,776	100%
Subcontracts	€ 0	0%
Total	€ 325,776	100%

During Q3, KPEP awarded grants to organizations under the below project-approved objectives.

Distribution of awards by Program Objectives during Q3 of Y4:

Program Objectives		
Support to Small and Microenterprise Startups	€ 282,556	87%
Established Business Expansion	€ 8,300	3%
Micro-greenhouse	€ 34,920	11%
TOTAL	€ 325,776	100%

Type of awards

KPEP awarded grants to the following organizations:

Support to Small and Microenterprise Startups

#	Company Name	Gender M/F	Sector	Approved amount USD	Approved amount EURO	Type of ER Checklist		
						Cat. Exclusion	Neg. Determin.	Pos. Determin.
1	S.Z.R. "METAL M"	M	Locksmith	\$3,936	€ 3,109		X	
2	S.P.R. "CRUST"	F	agriculture	\$3,936	€ 3,109		X	
3	S.P.R. "FARMING PAPERS"	M	Agriculture	\$4,100	€ 3,239		X	
4	S.U.R. "KIRBY SERVICE"	F	Cleaning services	\$4,100	€ 3,239	X		
5	S.U.R. "OUTDOOR ADVERTISING"	M	Advertising	\$4,100	€ 3,239	X		
6	S.U.R. "FRUIT DRYER"	M	Agriculture	\$4,100	€ 3,239	X		
7	S.P.R. "NEBOJSA-P"	M	Hay collection	\$4,100	€ 3,239	X		
8	S.Z.R. "CATTLE REARING"	M	Agriculture	\$4,100	€ 3,239		X	
9	S.P.R. "SNEZANA-T"	F	Bakery	\$4,100	€ 3,239		X	
10	S.Z.R. "CARPENTER'S "	M	Carpenter	\$3,895	€ 3,077		X	
11	S.Z.R. "VLADAN-1"	M	Mechanic	\$3,280	€ 2,591		X	
12	S.Z.R. "METAL - TURNERY"	M	Lathe operator	\$4,100	€ 3,239		X	
13	D.P.SH. "AGIMI-Z"	M	Construction	\$4,100	€ 3,239	X		
14	"MENADZER 028" D.O.O.	M	Mechanic	\$3,977	€ 3,142		X	
15	S.U.R. VIDEO PRODUCTION "DAMKOS"	M	Video production	\$4,100	€ 3,239	X		
16	S.Z.R. "KOSTIC"	M	Computer repair	\$4,100	€ 3,239	X		
17	N.N. "BETONJERKA KUQI"	M	Construction	\$4,100	€ 3,239	X		
18	S.Z.R. "BILJANA"	F	Laundry	\$4,100	€ 3,239		X	
19	S.P.R. MINI BAKERY "GORAN"	M	Agriculture	\$4,100	€ 3,239		X	
20	S.Z.R. "BOJANA"	F	Internet club	\$4,100	€ 3,239	X		
21	S.Z.R. "BRATISLAV"	M	Processing and packing	\$4,100	€ 3,239	X		

22	S.U.R. VIDEO- PHOTO PRODUCTION "PRESTIGE"	M	Video production	\$3,091	€ 2,442	X		
23	S.T.R. "FISHING EQUIPMENT"	M	Retail and repair	\$4,100	€ 3,239	X		
24	S.Z.R. "DRAGANA -G"	F	Beauty saloon	\$3,362	€ 2,656	X		
25	D.P.Z. "TEXTILE ERGIN"	M	Carpet repair	\$4,100	€ 3,239		X	
26	D.P.Z. "AMRA"	M	Upholsterer	\$4,100	€ 3,239		X	
27	S.P.R. "GORAN - M"	M	Hay collection	\$4,100	€ 3,239	X		
28	S.Z.R. "KOLE"	M	Food processing	\$4,100	€ 3,239		X	
29	D.P.SH. "TRASHIGIMIA"	F	Clothes	\$4,100	€ 3,239	X		
30	S.P.R. "STUDIO FOR FASHION CREATION"	M	Fashion	\$2,838	€ 2,242	X		
31	N.T.P. "PIMI- LIMI COM"	M	Mechanic	\$4,100	€ 3,239		X	
32	S.U.R. "CENTER FOR MASSAGE"	F	Beauty saloon	\$4,100	€ 3,239	X		
33	S.U.R. "JOVAN DISTRIBUTION"	M	Packing and distribution	\$4,100	€ 3,239	X		
34	U.P. "ELECTRO SERVICE JOVA	M	Electric service	\$4,059	€ 3,207		X	
35	S.P.R. "SLATKI SNOVI"	F	Bakery	\$3,075	€ 2,429		X	
36	S.U.R. "SBM"	F	Candles	\$4,100	€ 3,239	X		
37	S.U.R. "MEDIUM"	M	Printing	\$4,100	€ 3,239	X		
38	S.P.R. "SCOTCH TAPE"	M	Adhesive tape	\$4,100	€ 3,239	X		
39	S.Z.R. "MILAN - P"	M	Locksmith	\$3,280	€ 2,591	X		
40	S.P.R. "ZDRAVA HRANA"	M	Agriculture	\$4,100	€ 3,239		X	
41	S.Z.R. "OLIVERA 1"	F	Beauty salon	\$3,362	€ 2,656	X		
42	S.U.R. "ENIGMA"	F	Decorations	\$4,100	€ 3,239	X		
43	D.P.SH. "SHEFQET-M"	M	Agriculture	\$4,100	€ 3,239		X	
44	S.P.R. TAILOR SERVICES "VEZ"	F	Tailor	\$2,050	€ 1,620	X		
45	P.P. "PERA - ZDERA"	M	Restaurant	\$4,100	€ 3,239		X	
46	S.Z.R. "BUMPER SERVISE"	M	Mechanic	\$2,649	€ 2,092		X	
47	S.P.R. "SWEET DREAMS"	F	Bakery	\$4,100	€ 3,239		X	
48	D.P.Z. "ZAIMI"	M	Repair	\$4,100	€ 3,239	X		

49	S.Z.R. "SEWING"	F	Services for sewing	\$4,100	€ 3,239	X		
50	S.Z.R. "ACO"	M	Locksmith	\$4,100	€ 3,239		X	
51	S.P.R. "HONEY FARM"	M	Honey	\$4,100	€ 3,239	X		
52	S.P.R. "KRASIC"	M	Agriculture	\$4,100	€ 3,239		X	
53	S.T.R. "AGRICULTURAL MACHINES"	M	Agriculture	\$4,100	€ 3,239		X	
54	S.P.R. "DEJAN"	M	Agriculture	\$4,100	€ 3,239		X	
55	S.T.R. "PLUMBING SHOP"	M	Plumber	\$4,053	€ 3,202	X		
56	S.P.R. "JORDAN"	M	Carpenter	\$4,100	€ 3,239		X	
57	S.P.R. "DJUROVIC"	M	Agriculture	\$4,100	€ 3,239		X	
58	S.Z.R. "CARPENTER'S WORKSHOP"	M	Carpenter	\$4,100	€ 3,239		X	
59	S.P.R. "MIRKO"	M	Agriculture	\$4,100	€ 3,239		X	
60	S.P.R. "MLADEN"	M	Honey	\$861	€ 680	X		
61	S.Z.R. "MOMO"	M	Locksmith	\$3,649	€ 2,883		X	
62	S.Z.R. "CONSTRUCTION OF MINI REFRIGERATOR"	M	Agriculture	\$4,100	€ 3,239		X	
63	S.T.R. "FAST FOOD"	M	Restaurant	\$4,100	€ 3,239		X	
64	S.Z.R. "MINI FRUIT DRYER"	M	Fruit drier	\$3,952	€ 3,122	X		
65	S.Z.R. "CAR REPAIR SHOP"	M	Mechanic	\$4,100	€ 3,239		X	
66	S.Z.R. "TIRE REPAIR SHOP"	M	Mechanic	\$4,100	€ 3,239		X	
67	S.P.R. "VEGETABLE AND AGRICULTURAL PRODUCTION"	F	Farm	\$4,100	€ 3,239		X	
68	S.P.R. "VOJO"	M	Agriculture	\$4,100	€ 3,239		X	
69	S.Z.R. "SHARPENING CARPENTER'S TOOLS"	F	Carpenter	\$4,100	€ 3,239		X	
70	S.T.R. "BOJAN"	M	Printing	\$4,100	€ 3,239	X		
71	S.P.R. "BRANKO"	M	Locksmith	\$3,936	€ 3,109	X		
72	S.Z.R. "PRINTING OFFICE"	F	Photocopy	\$2,870	€ 2,267	X		
73	S.Z.R. "DEJAN"	M	Carwash	\$4,100	€ 3,239		X	

74	S.Z.R. "SITO-PRINT-DESING"	M	Printing	\$4,100	€ 3,239	X		
75	S.P.R. "DRAGAN"	M	Honey	\$3,690	€ 2,915	X		
76	S.Z.R. "DRAGANA"	F	Beauty salon	\$3,362	€ 2,656	X		
77	S.Z.R. "SMALL CAKES"	F	Bakery	\$4,100	€ 3,239		X	
78	S.Z.R. "IGOR"	M	Printing	\$4,100	€ 3,239	X		
79	S.Z.R. "IVAN"	M	Mechanic	\$3,526	€ 2,786		X	
80	S.Z.R. "IVANA"	F	Beauty salon	\$3,870	€ 3,058	X		
81	S.Z.R. "PRINT - DESING"	F	Beauty salon	\$4,100	€ 3,239	X		
82	S.P.R. "ALEKSANDRA"	F	Food processing	\$3,575	€ 2,824		X	
83	S.Z.R. "ILIC"	F	Bakery	\$4,039	€ 3,190		X	
84	S.P.R. "MILIJANA"	F	Bakery	\$4,100	€ 3,239		X	
85	S.T.R. "UNIQUE JEWELRY ACCESSORIES"	M	Woodwork	\$4,100	€ 3,239		X	
86	S.Z.R. "FOLK COSTUMES AND HANDCRAFTS"	F	Handicraft	\$4,100	€ 3,239	X		
87	S.Z.R. "NEBOJSA"	M	Mechanic	\$3,034	€ 2,397		X	
88	S.Z.R. "NIKOLA"	M	Mechanic	\$4,059	€ 3,207		X	
89	S.Z.R. "SLADJANA"	F	Horticulture	\$4,100	€ 3,239	X		
90	S.U.R. "SERVICE FOR LAUNDARY DRYING AND IRONING"	M	Laundry	\$4,100	€ 3,239		X	
91	S.Z.R. "MILENKOVIC"	M	Locksmith	\$4,100	€ 3,239		X	
92	S.Z.R. "VUKICA"	F	Bakery	\$4,100	€ 3,239		X	

\$357,666 € 282,556

Established Business Expansion

1	Etno Selo Zavicaj	M	Tourism	\$10,843	€ 8,300		X	
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\$10,843 € 8,300

Micro-greenhouse

1	Agropromet	M	Agriculture	\$43,650	€ 34,920		X	
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\$43,650 € 34,920

All of the awards (100%) went to support activities that benefit microenterprises, as shown below:

Distribution of Awards by Type of Enterprise		
Enterprise	Percentage	Total in Euros
Non-microenterprise	0%	€0
Microenterprise	100%	€ 325,776
Total	100%	€ 325,776

ENVIRONMENTAL COMPLIANCE AND MONITORING

Environmental reviewing and monitoring requirements

During Q3, environmental compliance activities remained focused on North Kosovo. The initial environmental examination document 2001-KOS-033 sets out the environmental reviewing, monitoring and reporting tasks for each activity subject to an environmental compliance procedure. During Q3, the SAF managed a large number of small and microenterprise startups. Considering the large number of applicants the project considered, and given the similarities among the activities to be reviewed, KPEP prepared Site Specific Environmental Compliance Plans (SSECP) for each group of activities. Under this consolidated process, KPEP obtained approval for 100 startup businesses:

- Group SSECP for auto mechanic activities (13 candidates)
- Group SSECP for agricultural activities (18 candidates)
- Group SSECP for confectionery activities (11 candidates)
- Group SSECP for carpentry activities (6 candidates)
- Group SSECP for tinsmith/locksmith activities (5 candidates)
- Group SSECP for laundry activities (2 candidates)
- The rest were considered under the categorical exclusion category, and included activities such as education, consultancies, etc.

In addition, KPEP processed a SSECP for the 20 applicants who planned to construct small-scale greenhouses.

The SSECP itself includes the Environmental Mitigation and Monitoring Plans (EMMP) that specify the mitigation measures and monitoring indicators for each activity. Also, EMMP provide the monitoring frequency and monitoring responsibilities. KPEP did not carry out any Pollution Prevention Assessment (PPAs) or Pesticide Evaluation Report and Safer Use Action Plans (PERSUAPs) during Q3.

Monitoring goal and methodology

KPEP undertook monitoring visits to inspect the implementation of environmental recommendations, as indicated in the SSECP for each company/organization. KPEP bases each monitoring assessment on potential environmental impacts, mitigation measures and monitoring indicators, as set out in the EMMPs for each activity. The monitoring visits included:

- Visual observation and photographs related to: physical impacts, water use, waste management, use of personal protective equipment (PPE), fire safety measures, ventilation, wastewater collection and discharge, wastewater treatment, fuel used and hazardous materials storage.
- Interviews: KPEP interviews owners or managers related to the progress made on completing: environmental permits, water permits, fire safety permits; plans for meeting commitments for improving technology, reducing emissions, applying for relevant permits, investing in wastewater treatment, etc.

KPEP then prepares and files separate monitoring reports from each monitoring visit for each company/organization visited.

During Q3, KPEP monitored the below eight companies:

Company/Activity	Main EMMP Indications	Situation
Milic (Small-scale furniture production)	Training of workers PPEs Ventilation Fire safety Raw material (wood) origin	Workers are trained. PPE are worn to an adequate degree. Ventilation is properly functional. The company has switched from using raw wood to using plywood. KPEP recommended the company develop a fire risk management plan and place fire extinguishers where appropriate.
Aves Prom (Poultry farm)	Odor Manure Management	The Aves Prom poultry farm was kept clean and no odor problems were noticed, while the manure is properly spread on land owned by local farmers. The company did not develop a fire risk management plan.
Markovic (Woodwork)	Training of workers PPEs Ventilation Fire safety Raw material (wood) origin Asbestos at the rear of the building	Workers are trained and PPE are worn to an adequate degree. Ventilation is functional, but there is still room for improvement. Relevant recommendations were given to the company. Fire extinguishers are visible and placed in easily accessible locations. According to the owner, the raw material (wood panels) is purchased from licensed companies in Pristina and Ferizaj/Urosevac. Asbestos problems were seen at the site.
Antonije (Greenhouse)	Water consumption Energy used for heating the greenhouse	The company has introduced a drip irrigation system, and uses biomass for heating purposes. KPEP recommended the company train its staff on IPM.
Ekocentar (Integrated grain milling and packaging)	Indoor air quality, workers health concerns	The indoor air quality was well-maintained and the workers wore face masks. Overall, this company meets environmental requirements
AS Promet (NWFP collection and processing)	Sustainable NWFP harvesting Origin of wood used for fruit drying	The firm reports to have trained employees who collect NWFP. KPEP recommended the company keep records of all trainings, and maintain contacts with relevant authorities in order to ensure the sustainable harvesting of NWFP. The company uses biomass for heating purposes. No problems were seen in this regard.
Zootrejd (Small-scale pork producer)	Odor/indoor air quality Wastewater (slurry) Manure management	The company was advised to pay more attention to maintaining ventilation, in order to reduce odor levels, and to safeguard worker health. Wastewater (slurry) and manure were adequately managed.
Naja (Greenhouse)	Energy source used for heating	The company uses biomass for heating its greenhouse during cold weather. The company was advised to consider using pellets/briquettes as a more efficient energy source

Performance Based-Management System

1. Summary

During the quarter ending June 30, 2012, KPEP-supported firms achieved significant growth in sales, investment and full-time jobs. The cumulative target increase in sales to date was originally set at 47.7 million Euros, using the target for both Components One and Two. The cumulative Life of Project (LOP) increase in sales is 103.0 million Euros, which means that the project has already exceeded not only the target increase to date, but also the target increase in

Progress to Date Highlights			
	Q3 Y4 Target	Q3 Y4 Actual	Performance Evaluation
Increase in sales, millions of Euros	47.7	103.0	↑
Increase in investment, millions of Euros	19.0	31.7	↑
Increase in exports, millions of Euros	-	28.0	↑
Increase in number of full-time jobs	4,785	5,573	↑
Number of enterprises assisted in KPEP database	171	144	↓
Number of people trained	2,875	6,870	↑

sales for the entire LOP. The main contributors to the increase in sales are the agriculture sector, with 46.1 percent, construction with 21.5 percent, and forestry and wood processing with 19.4 percent, while the ICT sector accounted for 6.3 percent, the tourism sector 3.8 percent, BSPs sector 1.7 percent and other sectors 1.2 percent. Cumulative LOP investment growth is 31.7 million Euros, already exceeding the LOP

target of 20.0 million Euros. The main contributors to the increase in investment are companies in the agriculture sector with 39.4 percent, construction with 38.8 percent, and forestry and wood processing sector with 19.1 percent. Finally, the ICT, tourism and recycling sectors contributed altogether 2.7 percent.

At the sub-sector level, road construction remains the main contributor to the increase in investment, with 20.1 percent. The construction materials sub-sector contributed 18.6 percent, dairy sub-sector 17.7 percent, the wood processing sub-sector 17.6 percent, and fruits and vegetable sub-sector 13.9 percent. During Q3 alone, investments increased by 0.7 million Euros across all sectors.

The LOP target increase was set at 5,036 FTE jobs. KPEP-assisted companies have added 5,131 full-time equivalent (FTE) jobs since the beginning of the project. The various KPEP

sectors and components account for this increase as follows: agriculture sector, with 40.9 percent, the construction sector 13.2 percent, forestry and wood processing 15.2 percent, BSPs 7.9 percent, ICT 5.5 percent, tourism sector 3.1 percent, and recycling 1.1 percent. Other sectors, including textile and the “North Project” contributed 13.1 percent. At the sub-sector level, the fruit and vegetable sub-sector remains the main contributor to the increase in FTE jobs, with 18.2 percent. Meanwhile, the wood-processing sub-sector contributed 14.1 percent, the dairy sub-sector 10.5 percent, BSPs 7.9 percent, non-wood forest products with 8.5 percent and road construction sub-sector 7.5 percent.

During Q3 alone, there was a gain of 488 FTE jobs across all sectors.

Cumulative LOP data for exports show an increase over the baseline of 27.0 million Euros. The exports/imports coverage ratio for KPEP-supported sectors is at 49.9 percent. The Kosovo-wide data show a 13.7 percent exports/imports coverage ratio for CY 2011. The main contributors to the increase in exports at KPEP-supported enterprises are the construction sector, with 39.5 percent, and agriculture with 32.5 percent. At the sub-sector level, road construction is the main contributor to the increase in exports, with 37.6 percent, followed by the fruit and vegetable sub-sector with 25.4 percent and the wood-processing sub-sector with 15.7 percent.

Below is the performance of KPEP sectors and sub-sectors for the LOP on the following key indicators: sales, exports, jobs and investment. Note that sales, export and investment figures are in Euros.

Sector	Sub-sector	Increase in sales	Increase in exports	Increase in FTE	Increase in investment
Agriculture		47,509,877	9,117,133	2,280.35	12,494,779
	Dairy	25,286,424	1,427,514	586.46	5,632,409
	Fruits and vegetables	22,590,244	7,126,123	1,014.96	4,400,699
	Non-wood forest products	(1,133,479)	562,496	475.61	2,154,571
	Poultry meat processing	766,688	1,000	203.32	307,100
Construction		22,150,223	11,067,814	738.12	12,306,468
	Construction Materials	3,826,597	517,754	321.72	5,910,256
	Road Construction	18,323,626	10,550,060	416.40	6,396,212

ICT		6,497,724	506,326	307.45	376,567
	ICT	6,497,724	506,326	307.45	376,567
Tourism		3,953,027	2,043,958	174.58	455,897
	Tourism	3,953,027	2,043,958	174.58	455,897
Recycling		229,374	256,012	63.13	40,928
	Recycling	229,374	256,012	63.13	40,928
Forestry & Wood Processing		19,961,103	4,389,860	847.53	6,056,438
	Wood Processing	19,221,330	4,388,880	787.60	5,577,330
	Forestry	739,773	980	59.92	479,108
Other		966,907	640,437	719.72	20,000
	Other	966,907	640,437	719.72	20,000
BSPs		1,750,878	-	441.66	-
	BSPs	1,750,878	-	441.66	-
Grand Total		103,019,113	28,021,539	5,572.53	31,751,077

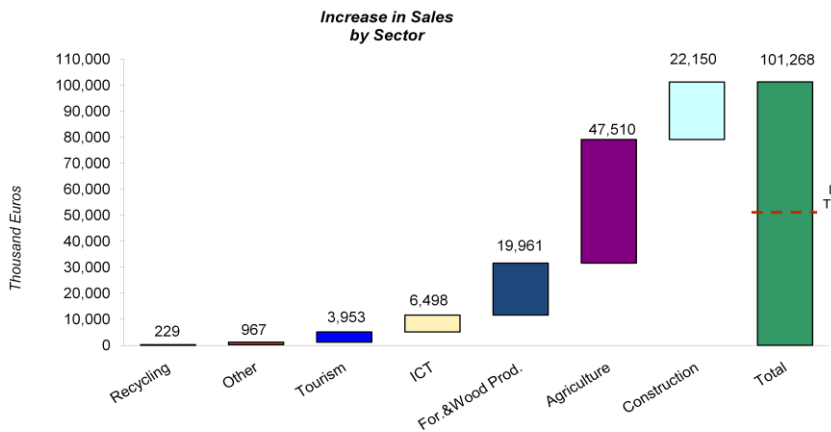
No new enterprises were added during Q3. The distribution of the total number of enterprises, by sector, is as follows: agriculture, 49 enterprises; construction, 23 enterprises; forestry and wood processing, 23 enterprises; tourism sector, 16 enterprises; ICT, 11 enterprises; and recycling, four enterprises. The textile sector and food processing/wheat production have one company each as well. There are 16 business-service providers in the client database of Component Two.

The data on people trained show that 6,870 people have received training since the start of the project, 5,079 of them male and 1,791 female. Below is the number of people trained, disaggregated by the type of the training for the LOP:

- 2,756 people participated in KPEP-supported presentations
- 2,670 attended trainings
- 36 participated in the twinning partner training program
- 151 participated in roundtables
- 858 participated in different workshops
- 224 participated in conferences organized or supported by KPEP
- 7 individuals participated in study trips
- 69 participated in B2B events organized or supported by KPEP
- 99 participated in field day events organized or supported by KPEP

2. Sales

The total increase in sales reached 103 million Euros, both in enterprises under Component One (agriculture, construction, forestry and wood products, ICT and tourism) and BSPs, under



Component Two. KPEP has achieved a 51.3 percent growth in sales compared to the baseline. The target increase was set in the beginning of the project at 24.1 percent over the annualized baseline. The construction and agriculture sectors remain

the main contributors to the sales growth. The main contributors to this increase involve the companies presented in the table below:

Company name	Sub-Sector	Euro increase in sales since KPEP beginning
Lesna	Wood processing	15,392,511
Abi	Dairy	12,738,732
Devolli	Dairy	9,087,951
Pestova	Fruits and vegetables	8,499,754
Eurokos	Road construction	7,249,283
Eurofood	Fruits and vegetables	7,130,490
Cacctus	ICT	5,632,447
Agrounion	Fruits and vegetables	4,260,655
Lin Projekt	Construction materials	3,546,486
Eskavatori	Road construction	3,133,187
Fibula Travel	Tourism	2,685,933
Papenburg & Adriani	Road construction	2,620,746
Bejta Commerce	Road construction	1,911,357
Graniti	Road construction	1,577,466
Fauna	Dairy	1,295,498
KAG Asphalt	Road construction	1,226,187
Euroлона	Dairy	1,201,405
ASK Foods	Fruits and vegetables	1,143,353
Kabi	Dairy	1,060,525
Tefik Çanga Design	Wood processing	1,005,335

These 20 companies account for more than 90 percent of the total increase in sales reported by KPEP beneficiary companies in supported sectors.

During Q3 alone, the sales of the companies in all sectors, including BSPs, amounted to 20,265,967 Euros.

3. Investment

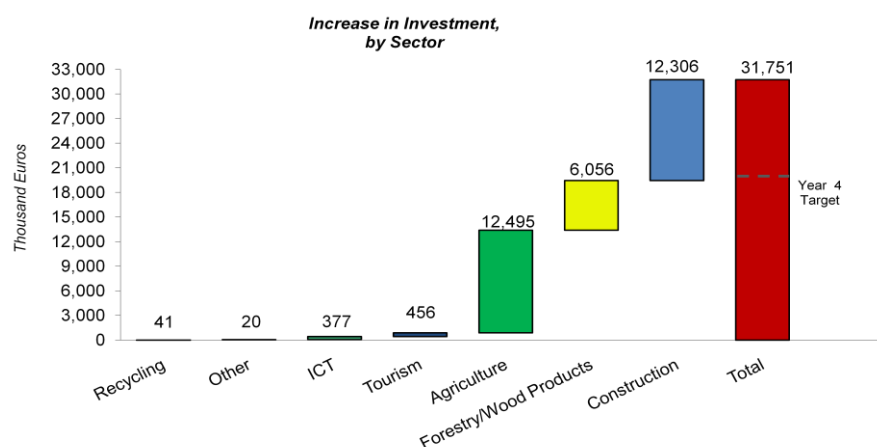
The total value of investments reached 31.7 million Euros, thus already exceeding the LOP target of 20 million Euros. The construction sector continues to drive investment growth among KPEP firms although

its share of this growth dropped, from Q1 to Q3, from 41.6 percent of the project's total reported increase in investment to 38.8 percent.

The agriculture sector increased its share to

39.4 percent, while the forestry and wood processing sector contributed to an increase in investments of 19.1 percent. The share of other sectors is at 2.7 percent.

Below is the list of main contributors to the increase in investments:



Company name	Sector	Euro increase in investment
Lesna	Wood processing	2,214,876
Eskavatori	Road construction	2,149,337
Lin Projekt	Construction materials	1,700,000
Renelual Tahiri	Construction materials	1,670,832
Devolli	Dairy	1,400,000
Papenburg & Adriani	Road construction	1,375,431
Fitorja	Construction materials	1,338,000
Pestova	Fruits and vegetables	1,297,829
Tefik Çanga Design	Wood processing	1,067,000
Euroлона	Dairy	1,058,060
Graniti	Road construction	1,007,501
Deco	Wood processing	853,500
Rugove	Dairy	841,503

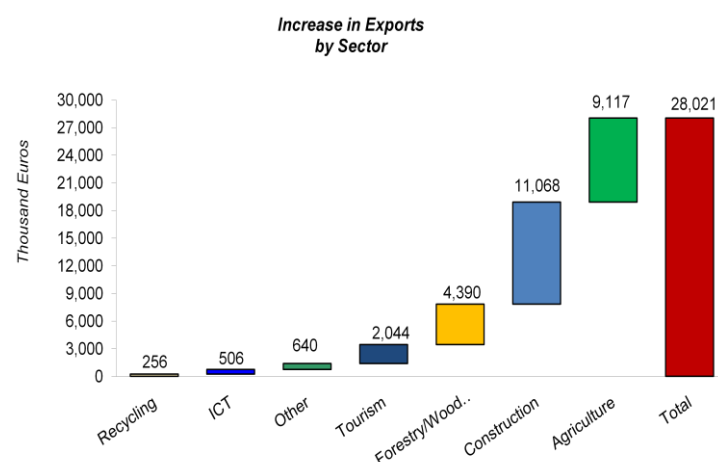
Hit - Flores	Non-wood forest products	807,500
KAG Asphalt	Road construction	798,000
Kabi	Dairy	720,000
Bylmeti	Dairy	664,701
Magic Ice	Dairy	598,180
Agroprodukt-Syne	Non-wood forest products	572,421
Etlinger	Fruits and vegetables	556,000
Bejta Commerce	Road construction	548,833

In total, 114 of 128 KPEP-supported client enterprises in Component One have made investments since KPEP started.

During Q3 alone, the investments made by companies in all sectors, including BSPs, amounted to 725,371 Euros. The agriculture sector accounts for more than 74% of this increase.

4. Exports

The increase in exports to date for the LOP is 28.0 million Euros. Below is a list of the main exporters that are KPEP beneficiaries/client enterprises. The construction sector remains the main contributor to the increase in exports at KPEP-supported enterprises with 39.5 percent,



followed by the agriculture sector with 32.5 percent. At the sub-sector level the main contributors are the road construction sub-sector with 37.6 percent, fruit and vegetable sub-sector with 25.4 percent and the wood-processing sub-sector with 15.7 percent.

Below is the list of main contributors to the increase in exports, by sector/sub-sector:

Company name	Sub-sector	Euro increase in Exports
Eurokos	Road construction	6,498,559
Lesna	Wood processing	4,016,657
KAG Asphalt	Road construction	3,892,911
Hit - Flores	Non-wood forest products	3,747,860
Pestova	Fruits and vegetables	3,203,554
Eurofruti	Non-wood forest products	2,643,700
Agroprodukt-Syne	Non-wood forest products	1,409,613
Agroalbi	Fruits and vegetables	1,371,300
As-Promet	Non-wood forest products	1,159,520
Agroprodukt Commerce	Non-wood forest products	1,071,500
Eurofood	Fruits and vegetables	1,003,818

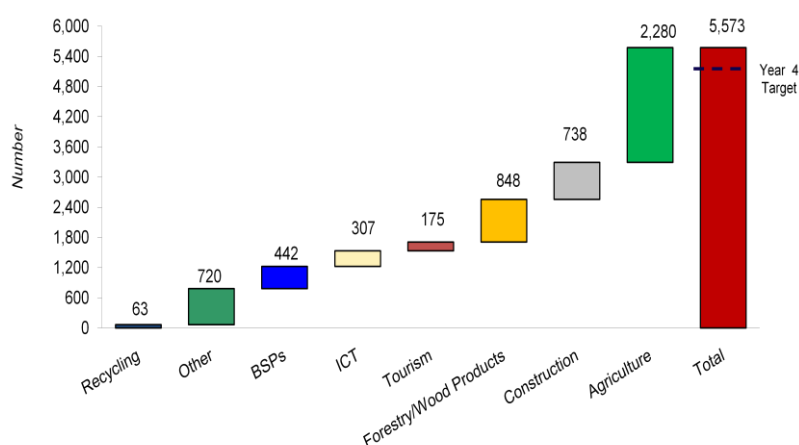
In all, 75 client companies have exported products since the start of KPEP. The main contributor to the overall increase in exports remains the construction sector, which accounts for 39.5 percent. The agriculture sector contributed 32.5 percent and the wood and processing sector 15.7 percent. The share contributed by other sectors is 12.3 percent.

During Q3, the total value of exports by KPEP-supported enterprises in all targeted sectors was 1.7 million Euros. The agriculture sector leads in exports with 0.8 million Euros. During Q3, imports were 5.1 million Euros. This provides for an export/import coverage ratio of 33.3 percent for Q3 alone. The export/import coverage ratio for the LOP is 48.9 percent. During the LOP, exports totaled 40,543,830 Euros while imports were 82,905,134 Euros.

5. Full-time Jobs

The LOP target increase was set at 5,036 FTE jobs. To date, there has been an increase in FTE jobs of 5,573, of which 5,131 were created in enterprises in Component One and 442 in the business service providers of Component Two. During Q3, 481 new FTE jobs were created in enterprises that operate under Component One sectors, and 7 FTE job in Component Two. The share of the agriculture sector to the LOP increase in FTE jobs is 40.9 percent; construction sector 13.2 percent; wood processing and forestry 15.2 percent; while other sectors, including the FTE jobs created through KPEP's support in north Kosovo, contributed altogether 30.7

percent (BSPs, 8.0 percent; north Kosovo project, 13.0 percent; ICT, 5.5 percent; tourism, 3.1 percent; and recycling, 1.1 percent).



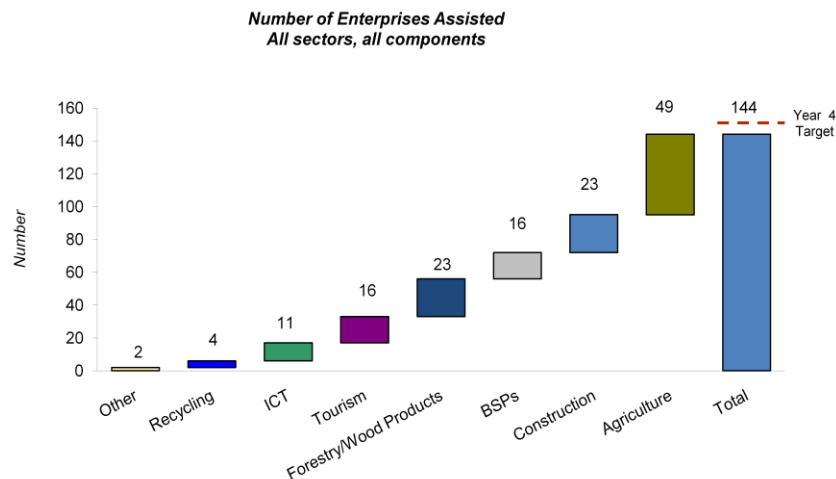
Below are the main contributors to the increase in FTE jobs since the beginning of KPEP:

Company name	Sector	Increase in FTE jobs
Kosovatex	Textile	349.25
Pestova	Fruits and vegetables	204.89
Lesna	Wood processing	200.20
Cactus	ICT	197.34
Eurofood	Fruits and vegetables	194.71
Konsoni	Poultry meat procesing	194.57
Tefik Çanga Design	Wood processing	154.92
Devolli	Dairy	150.06
Agroprodukt-Syne	Non-wood forest products	137.21
Magic Ice	Dairy	117.74
Ukaj/Elnor	Wood processing	109.66
Bejta Commerce	Road construction	108.89
Eurokos	Road construction	104.39
Gacaferri	Wood processing	98.66
Etlinger	Fruits and vegetables	95.06
Lin Projekt	Construction materials	94.10

During Q3 alone, the total number of new FTEs in companies in all sectors, including BSPs, was 488.

6. Number of Enterprises Assisted

The KPEP client database includes 128 enterprises in Component One and 16 enterprises (BSPs) in Component Two.



These companies have received KPEP assistance and have in turn agreed to share their performance data. (Note that KPEP reaches much further into the private sector, assisting more than 670 companies overall.) Of the 128 enterprises in Component One, 49

enterprises belong to the agriculture sector, 23 are construction enterprises, and 23 are in the forestry and wood processing sector, 11 are in ICT, 16 enterprises belong to the tourism sector, four to the recycling sector, one is in textiles and one in food processing. No new enterprises were added during Q3.

7. Transactional data

No significant transactions were recorded during Q3.

8. PBMS Methodology

The Performance Based Management System (PBMS) monitors progress against program targets, facilitates reporting of the results attributable to KPEP efforts and provides data for reporting to USAID. It identifies successful enterprise, sector and industry clients, interventions and consultants and allows the team to compare projected results to actual results on a monthly, quarterly, semi-annual and annual basis. The baseline and targets are set for all indicators for the life of the project (LOP).

- Data collection

KPEP specialists worked with client enterprises to establish the baseline data. Initial baseline data are recorded for the period just prior to the implementation of those activities that

contribute to the achievement of results, enabling comparison when measuring progress toward a specific result or objective. The baseline provides a snapshot of a performance indicator as a point of reference.

For enterprises, the baseline includes jobs, sales, production, investments, foreign direct investment and partnerships data. KPEP specialists are responsible for data collection from enterprises. The PBMS specialist reviewed the information received and performed quality control. After that, the PBMS specialist entered the data into the project's database. The reports produced from the access database and Excel spreadsheets are included in the quarterly reports provided to USAID.

- Quality of the data

The sector specialists are responsible for the first-level data quality control. The quality checks have been made to ensure that those data collected and included in the database are both accurate and reliable. Every single transaction entered in the database was double checked for accuracy.

- Data verification

The PBMS specialist conducts site visits and interviews with representatives from the client enterprises and organizational partners to verify the results that have been reported. In addition to verification of the accuracy and consistency of the results reported, the PBMS specialist also determines whether KPEP interventions contributed to the results and thus may be attributed to the project.

- Status of the Indicators

The status of Project Indicators is set out in Annex 1, Report on Indicators. This annex gives the status of all indicators from the PMP.

9. Attribution

The KPEP Attribution Process represents a method for assigning results more specifically to KPEP interventions. In the past, KPEP (and KCBS before it) captured the quarterly revenue, investment, and job data from its client partners and reported them exactly as they had been received, regardless of the level of assistance provided to that firm. KPEP will continue to report data in this manner. The KPEP Attribution Process will help capture transaction level data and will assign a percentage of quarterly revenue that KPEP can reasonably be responsible for and accountable for. This process will also help calculate a Return on Investment for Component One work, enabling management to compare results versus cost across sectors. This exercise

will add valuable insight into the effectiveness of KPEP's interventions in specific sectors and can inform future investment decisions.

The steps are as follows:

1. Collect transactional data on an ongoing basis from both KPEP and non-KPEP firms.
2. Collect quarterly data from KPEP firms as usual.
3. Subtract transactional data from quarterly data for KPEP client firms.
4. Assign an attribution percentage (based on guidelines below) to the remaining client sales, based on KPEP activities and support. This percentage should be assigned based on activities, regular formal evaluations by the clients as well as informal discussions with the client firms.
5. Meet as a team inclusive of USAID and outside perspectives to debate and defend assigned percentages, come to consensus and consistency across sectors, and discuss problem areas (cases where sales fall relative to the baseline, for example).
6. Report both gross numbers and attributable numbers to USAID.
7. Use attributable numbers to calculate rough ROI for internal management purposes.

Scoring: Each quarter, sector specialists will assign a ranking for each company based on what percentage of the firm's quarterly sales, investment or jobs created for which KPEP can reasonably take credit. Scores will be assigned in quartiles 0, 25, 50, 75, or 100%.

Scoring Criteria	
0%	No support was given to the firm in this quarter (includes technical assistance, grants, training, or any activities listed above)
25%	1 medium level activity, or 1-2 low impact activities performed with the client firm having a result on sales, investment or jobs
50%	1 to 2 high level impact activity or 3 or more medium level impact activities (or a combination of low, medium, and high level impact activities)
75%	3 or more high level impact activities (or a combination of activities that includes 2 or more high level and 3 or more medium level activities)
100%	An intensive combination of all levels of activities with a single firm. A 100% ranking should be reserved for only those firms who have received extensive support throughout the reporting period.

Scoring Guidelines: A list of generic activities with low, medium, and high-level impact rankings with respect to sales, investment, and job creation for client firms. These activities are

to be viewed as guidelines and sector specialists may describe other activities not categorized below in supporting the ranking they assign a client firm.

High Impact	Medium Impact	Low Impact
<ul style="list-style-type: none"> • Buyer meetings/introductions • Buyer—seller negotiations • New product development • Investor materials/presentations • Internships • Agriculture aggregation • Transport and logistics • Other—describe 	<ul style="list-style-type: none"> • Marketing campaigns • Marketing support • Packaging and branding support • Market research • Advisory services • Study tours • Partnership facilitation • Storage facility construction • Management support • Training • Agronomy/productivity support • Certification training • Certification preparation support • Standards preparation • Other—describe 	<ul style="list-style-type: none"> • Trade fairs • Conferences • Agriculture demonstration plots • Feasibility studies • National strategies • Export plans • Other—describe

Following are the results on the attribution regarding four main indicators: sales, jobs, exports and investment.

1. KPEP attribution on sales

1.1. Total KPEP

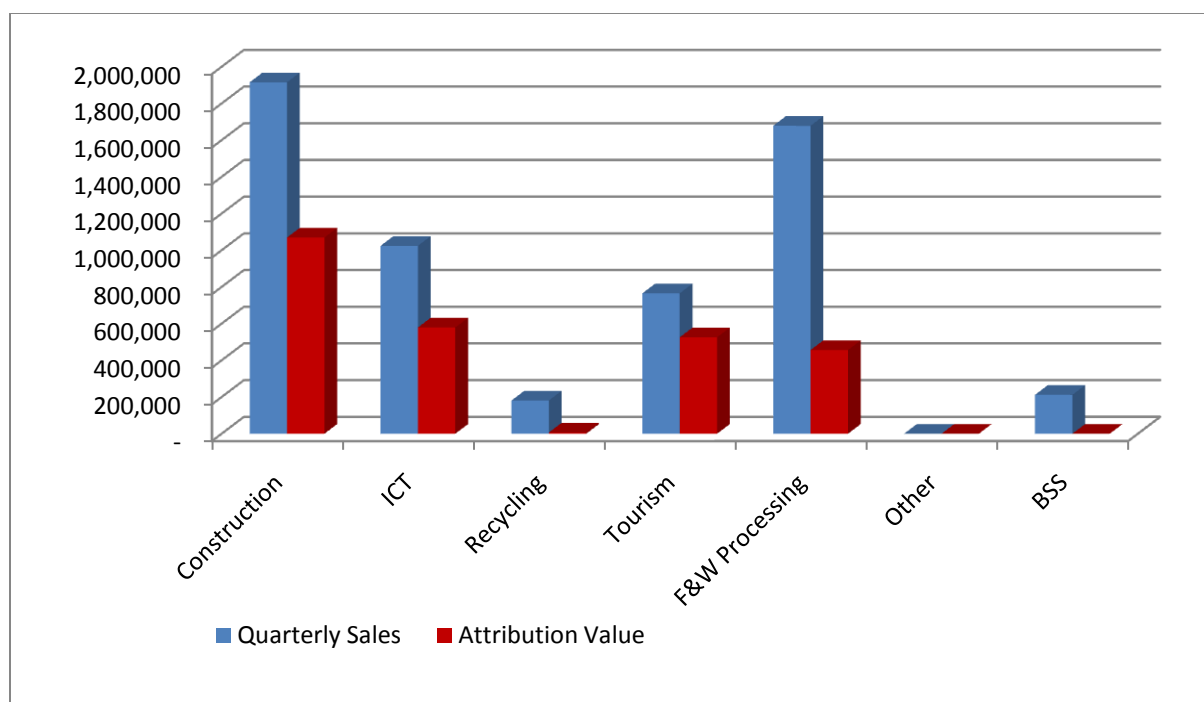
Total Quarterly Sales KPEP Firms	€ 20,265,967
Total KPEP Attributable Sales	€ 7,697,687
Attribution % for the quarter	38.0%
Total Quarterly Sales Non-KPEP Firms	€ 0
Total Non-KPEP Attributable Sales	€ 0
Attribution % for the quarter	-
Total Sales	€ 20,265,967
Total KPEP Attributable Sales	€ 7,697,687
Total Quarter Attribution %	38.0%

1.2. By sub-sector

Sector	Sub-sector	Net quarterly data in Euros	KPEP attribution in Euros	% Attribution
Agriculture		14,490,791	6,004,390	41.4%
	Dairy	7,679,417	2,552,124	33.2%
	Fruits and vegetables	6,177,094	2,295,192	37.2%
	NWFP	429,626	111,157	25.9%
	Poultry meat processing	204,654	102,327	50.0%
Construction		1,915,262	1,069,387	55.8%
	Construction materials	1,915,262	1,069,387	55.8%
	Road construction	-	-	-
ICT		1,023,927	579,195	56.6%
	ICT	1,023,927	579,195	56.6%
Recycling		180,804	6,578	3.6%
	Recycling	180,804	6,578	3.6%
Tourism		764,987	525,491	68.7%
	Tourism	764,987	525,491	68.7%
Forestry & Wood Processing		1,678,406	456,236	27.2%
	Wood processing	1,451,910	399,612	27.5%
	Forestry	226,496	56,624	25.0%
Other		-	-	-
	Other	-	-	-
BSS		211,790	-	0.0%
	BSS	211,790	-	0.0%
Grand Total		20,265,967	7,697,687	38.0%

Of the total value of sales of 20,265,967 Euros, KPEP's attribution is 7,697,687 Euros, or 38.0% of the total quarterly sales by KPEP clients.

Below is a graphic presentation of the attribution of sales per sector:



2. KPEP attribution on exports

2.1. Total KPEP

Total Quarterly Exports KPEP Firms	€ 1,684,913
Total KPEP Attributable Exports	€ 808,313
Attribution % for the quarter	48.0%
Total Quarterly Exports Non-KPEP Firms	€ 0
Total Non-KPEP Attributable Exports	€ 0
Attribution % for the quarter	-
Total Exports	€ 1,684,913
Total KPEP Attributable Exports	€ 808,313
Total Quarter Attribution %	48.0%

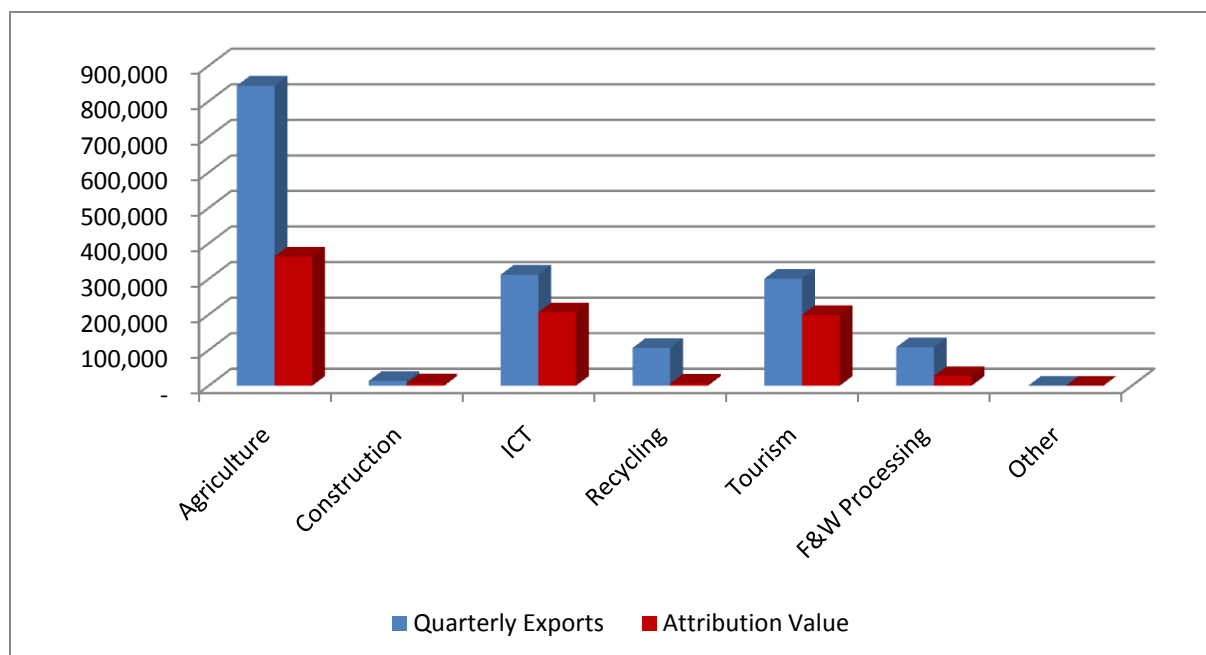
2.2. By sub-sector

Sector	Sub-sector	Net quarterly data in Euros	KPEP attribution in Euros	% Attribution
Agriculture		844,024	363,460	43.1%
	Dairy	94,223	44,168	46.9%
	Fruits and vegetables	500,675	242,260	48.4%
	NWFP	249,126	77,032	30.9%
	Poultry meat processing	-	-	-
Construction		13,492	6,746	50.0%

	Construction materials	13,492	6,746	50.0%
	Road construction	-	-	-
ICT		312,166	206,445	66.1%
	ICT	312,166	206,445	66.1%
Recycling		106,058	5,920	5.6%
	Recycling	106,058	5,920	5.6%
Tourism		301,089	198,722	66.0%
	Tourism	301,089	198,722	66.0%
Forestry & Wood Processing				
		108,084	27,021	25.0%
	Wood processing	108,084	27,021	25.0%
	Forestry	-	-	-
Other		-	-	-
		-	-	-
	Other	-	-	-
BSS		-	-	-
		-	-	-
	BSS	-	-	-
Grand Total		1,684,913	808,313	48.0%

Of the total value of exports of 1,684,913 Euros, KPEP's attribution is 808,313 Euros, or 48.0% of the total quarterly export sales by KPEP clients.

Below is a graphic presentation of the attribution of exports per sector:



3. KPEP attribution on investment

3.1. Total KPEP

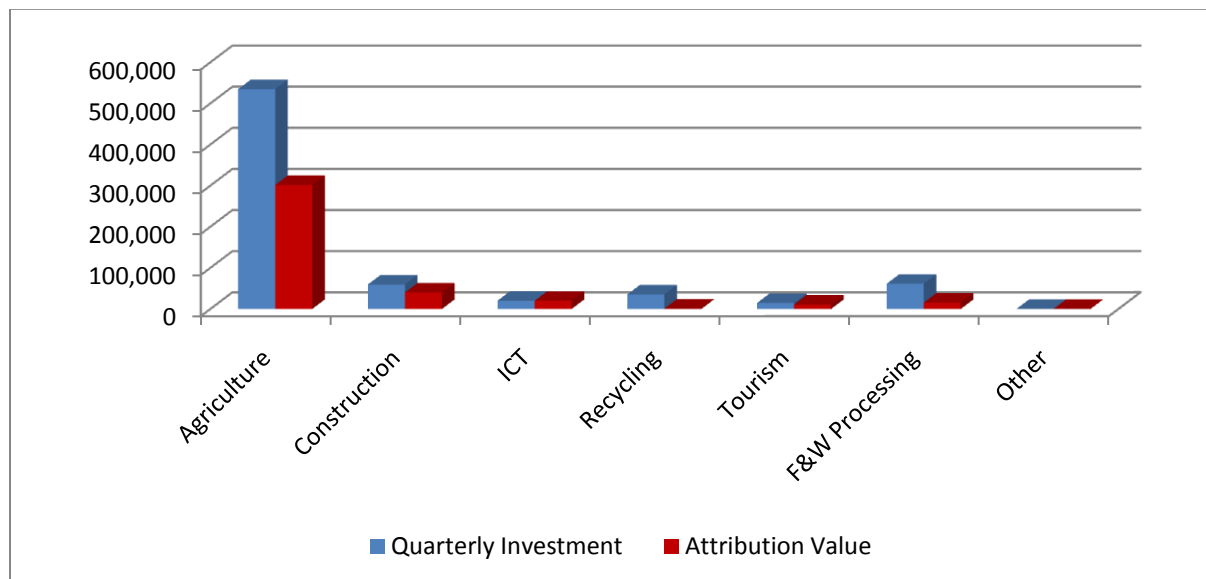
Total Quarterly Investments KPEP Firms	€ 725,371
Total KPEP Attributable Investments	€ 388,416
Attribution % for the quarter	53.5%
Total Quarterly Investments Non-KPEP Firms	€ 0
Total Non-KPEP Attributable Investments	€ 0
Attribution % for the quarter	-
Total Investments	€ 725,371
Total KPEP Attributable Investments	€ 388,416
Total Quarter Attribution %	53.5%

3.2. By sub-sector

Sector/Subsector	Net quarterly data in Euros	KPEP attribution in Euros	% Attribution
Agriculture	534,627	301,638	56.4%
Dairy	303,622	178,062	58.6%
Fruits and vegetables	138,005	80,826	58.6%
NWFP	93,000	42,750	46.0%
Poultry meat processing	-	-	-
Construction	59,451	39,968	67.2%
Construction materials	59,451	39,968	67.2%
Road construction	-	-	-
ICT	20,191	19,821	98.2%
ICT	20,191	19,821	98.2%
Recycling	35,227	771	2.2%
Recycling	35,227	771	2.2%
Tourism	14,500	10,875	75.0%
Tourism	14,500	10,875	75.0%
Other	-	-	-
Other	-	-	-
Forestry and wood processing	61,375	15,344	25.0%
Wood processing	16,940	4,235	25.0%
Forestry	44,435	11,109	25.0%
Forestry and wood Processing	-	-	-
Wood processing	-	-	-
BSS	-	-	-
BSS	-	-	-
Grand Total	725,371	388,416	53.5%

Of the total 725,371 Euros in investments, KPEP's attribution is 388,416 Euros, or 53.5% of the total quarterly investments made by KPEP clients.

Below is a graphic presentation of the attribution of investments per sector:



4. KPEP attribution on employment

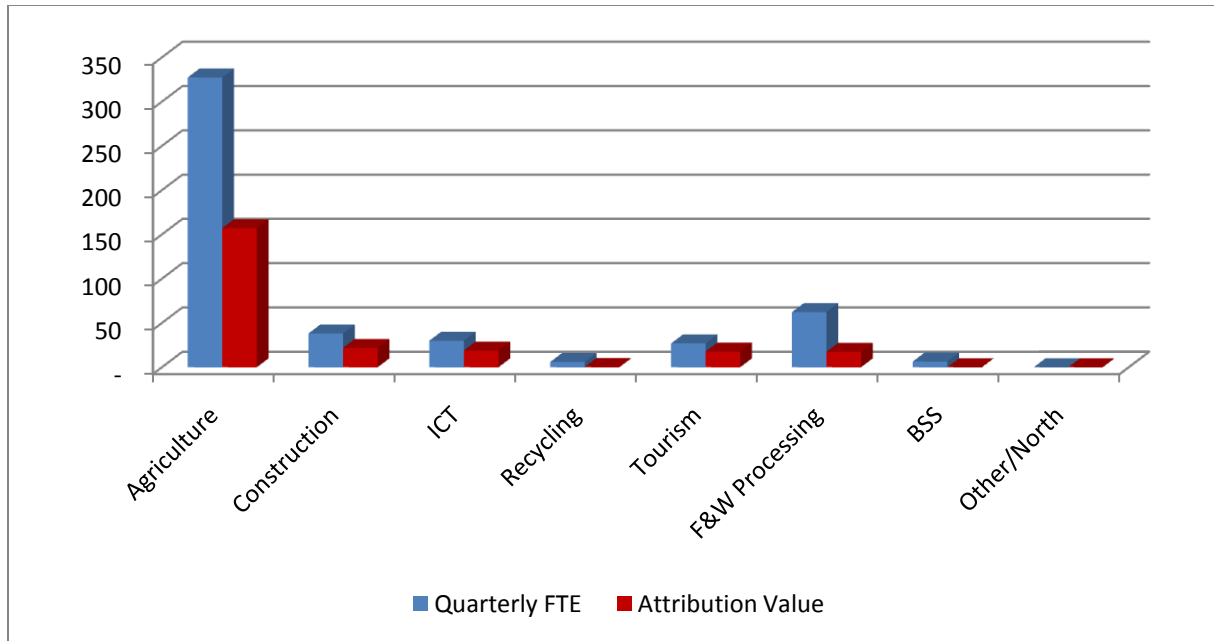
4.1. Total KPEP

Total Quarterly FTE KPEP Firms	497.73
Total KPEP Attributable FTE	233.84
Attribution % for the quarter	47.0%
Total Quarterly FTE Non-KPEP Firms	-
Total Non-KPEP Attributable FTE	-
Attribution % for the quarter	-
Total FTE	497.73
Total KPEP Attributable FTE	233.84
Total Quarter Attribution %	47.0%

4.2. By sub-sector

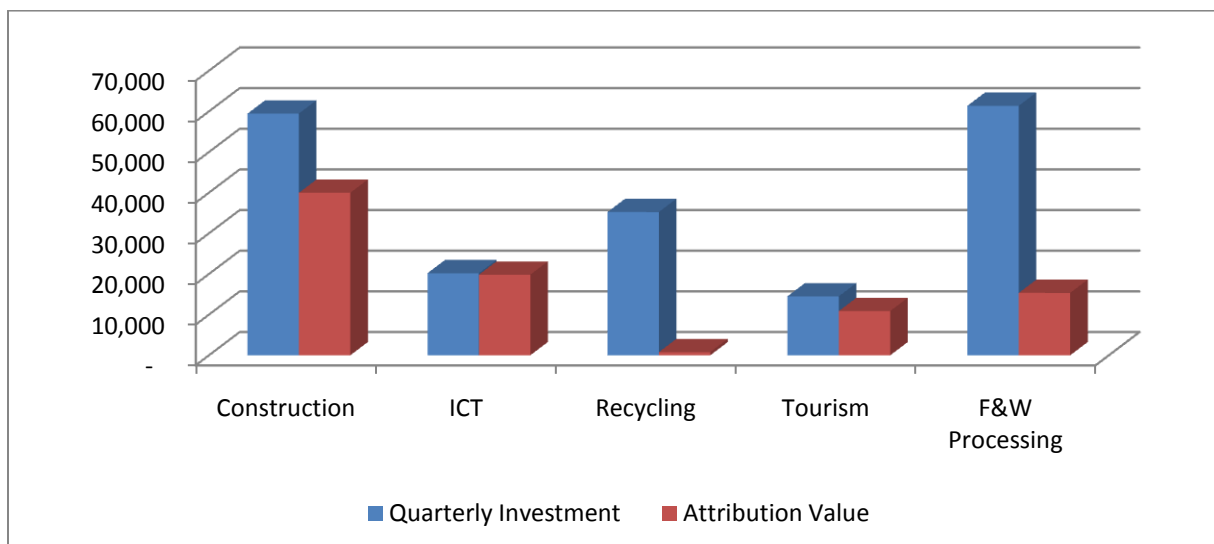
Sector	Sub-sector	Net quarterly data	KPEP attribution	% Attribution
Agriculture		327.39	157.14	48.0%
	Dairy	71.54	33.62	47.0%
	Fruits and vegetables	190.17	97.74	51.4%
	NWFP	49.01	17.45	35.6%
	Poultry meat processing	16.67	8.33	50.0%
Construction		38.29	22.00	57.5%
	Construction materials	38.29	22.00	57.5%
	Road construction	-	-	-
ICT		30.13	18.98	63.0%
	ICT	30.13	18.98	63.0%
Recycling		6.05	0.39	6.4%
	Recycling	6.05	0.39	6.4%
Tourism		26.97	17.84	66.1%
	Tourism	26.97	17.84	66.1%
Other		-	-	-
	Other	-	-	-
Forestry & Wood Processing		62.35	17.50	28.1%
	Wood processing	51.36	14.75	28.7%
	Forestry	10.98	2.75	25.0%
BSSS		6.54	-	0.0%
	BSSS	6.54	-	0.0%
Grand Total		497.73	233.84	47.0%

Of the 498 FTE jobs created by KPEP clients during Q3, KPEP's attribution is 234 FTE jobs, or 47.0 %

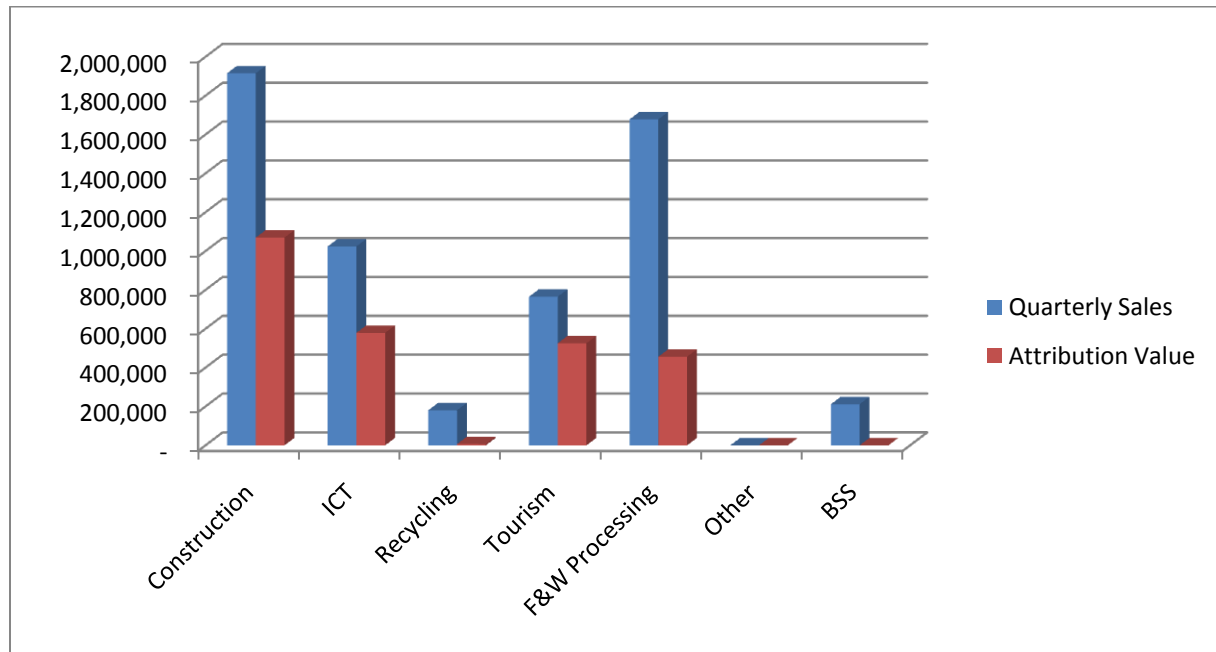


Due to the fact that agriculture sector proved the overwhelmingly largest contributor to the increase in main performance indicators for Q3, it is very difficult in the above graph to gauge the performance of other sectors. Therefore, we excluded the data from this sector (and for FTE indicator excluded also data from the north Kosovo project), and then designed another set of graphs that better shows the KPEP's contribution to the results in these sectors.

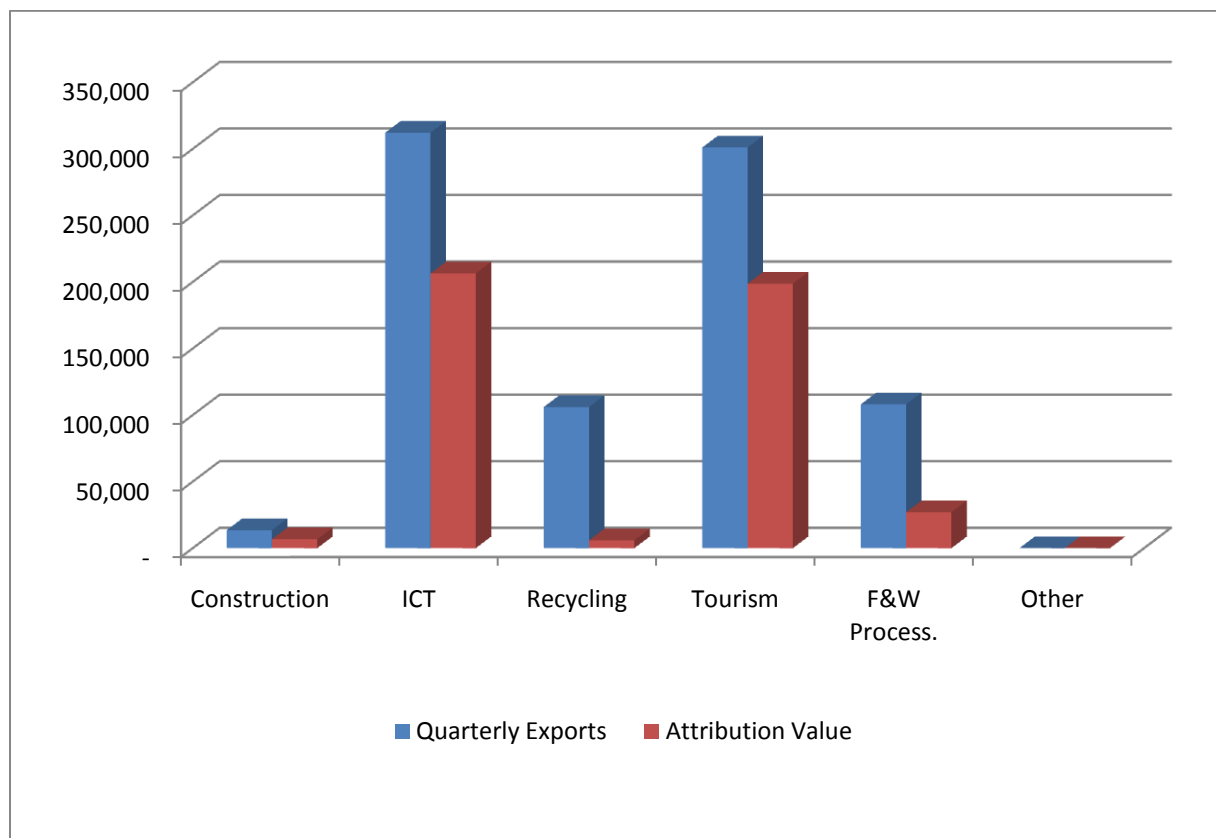
Attribution Investment (without Agriculture)



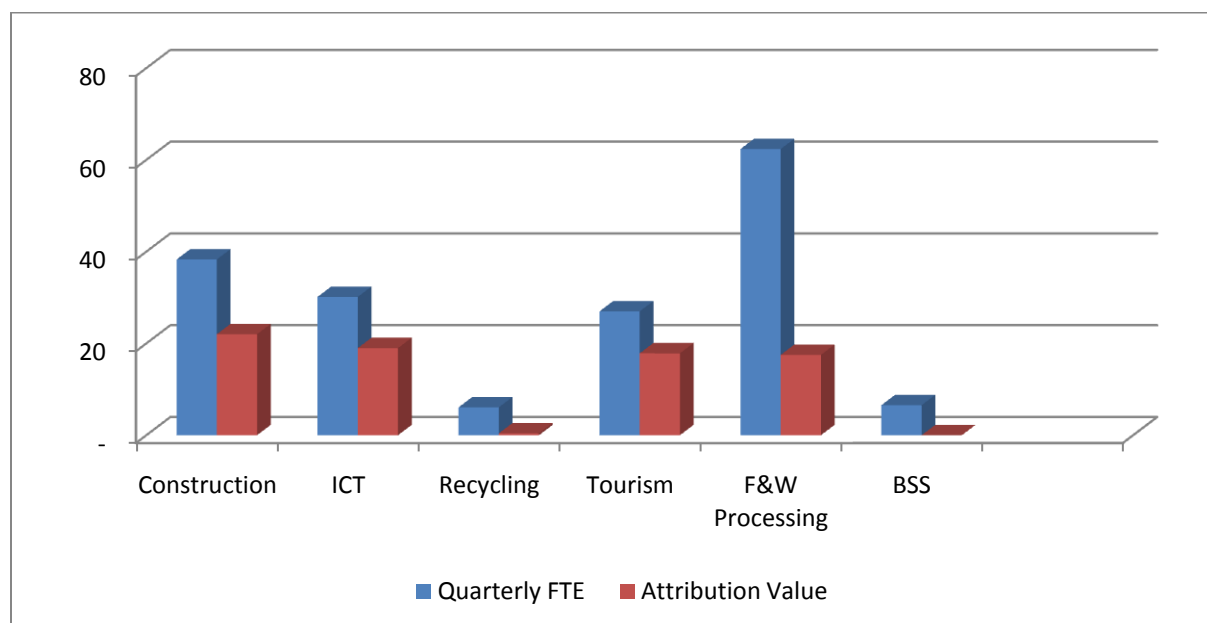
Attribution Sales (without Agriculture)



Attribution Exports (without Agriculture)



Attribution FTE (without Agriculture and North project)



8. Multipliers

Using multipliers to estimate total economic impact or the employment impact of direct sales and growth of a particular industry is a common economic tool. There are numerous methodologies and academic studies used to develop, calculate and detail multipliers for particular sectors in specific economies. However, the process for developing a multiplier for specific sectors in Kosovo would be potentially costly and the data may not be available or accurate. Instead, KPEP collected multipliers on project sectors from a wide range of sources and extrapolated multipliers available on an anecdotal basis.

One important tool widely used to evaluate economic development impacts is the *economic impact analysis*. Economic impact analyses measure the potential impact of economic decisions by business, government, and consumers on an economy.

An economic impact analysis is based on the concept of the multiplier. The *multiplier* is the relationship between some change in an economy and the economic activity that then occurs as a result of that change. Consider a furniture manufacturer setting up a factory in a new location in Kosovo. Initial projections of the impact of the new plant would likely include estimates of the number of new jobs and the income earned by the newly hired workers. This is called the *direct effect*, which is an initial change in the economy.

There are other effects as well. The new plant will need goods and services supplied by other local businesses, including, say, paint, hardware and transportation. These purchases generate new jobs and income in those allied industries. These spinoff activities are referred to as *indirect*

effects. In addition, the new workers in the parts plant and the employees in the supporting industries spend a portion of their income locally to meet household needs, and this spending creates new jobs and income. The jobs and spending created as a result of these activities are called the *induced effect*.

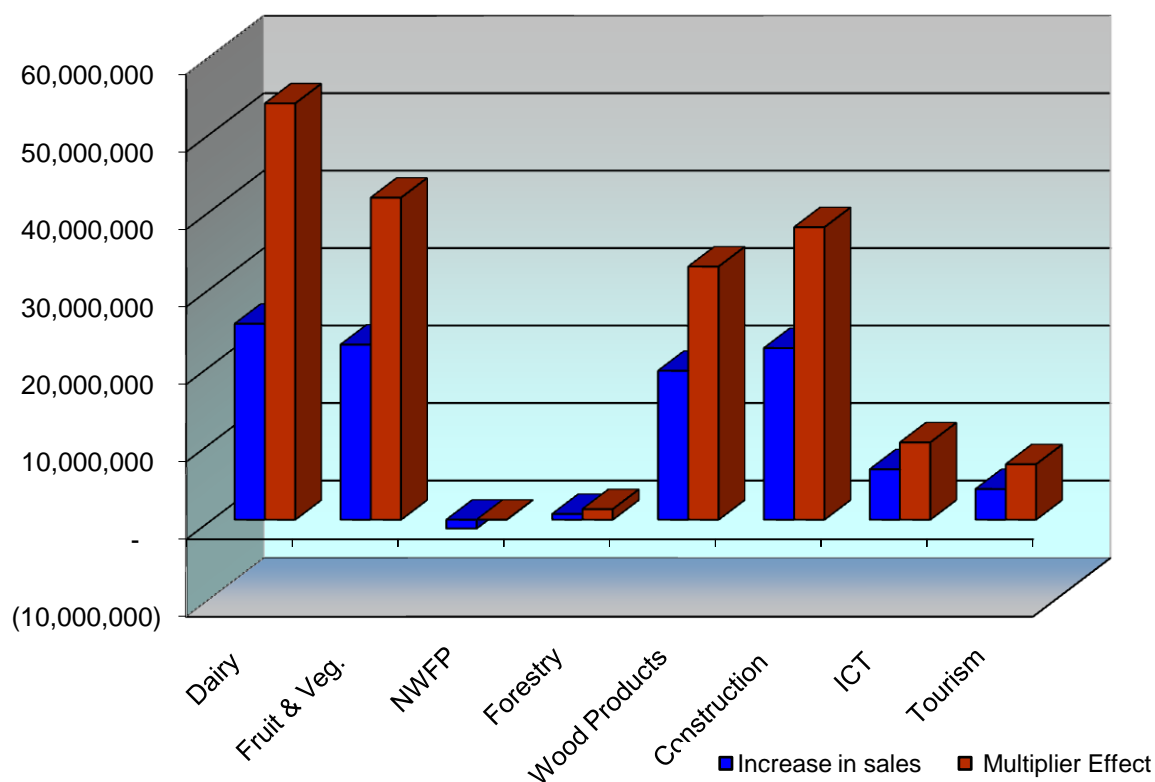
The sum of the direct, indirect, and induced effects is the *total effect*. The process of job creation and income generation continues so long as some portion of spending remains local. The multiplier is an estimate of how much additional economic activity will result from some new investment in an economy. "Multiplier" is an appropriate term, because the original investment is "multiplied" by the multiplier to obtain the total economic impact

KPEP developed the average multipliers for each KPEP sector. Minor sub-sectors, such as metal processing and poultry meat processing, are not included in the calculation.

Sector	Economic Impact	Employment
Dairy	2.13	1.84
Fruit and vegetable	1.84	1.96
Non-wood forest products	1.90	1.58
Forestry	1.84	1.89
Wood products	1.70	1.66
Construction	1.70	1.84
ICT	1.54	1.57
Tourism	1.81	1.39

1. Economic Impact

Sector	Increase in sales	Economic Impact	Multiplier Effect
Dairy	25,286,424	2.13	53,733,651
Fruit & veg.	22,590,244	1.84	41,566,049
NWFP	(1,133,479)	1.90	-
Forestry	739,773	1.84	1,361,182
Wood products	19,221,330	1.70	32,676,261
Construction	22,150,223	1.70	37,750,309
ICT	6,497,724	1.54	9,974,006
Tourism	3,953,027	1.81	7,154,979
TOTAL	99,305,266		184,216,437

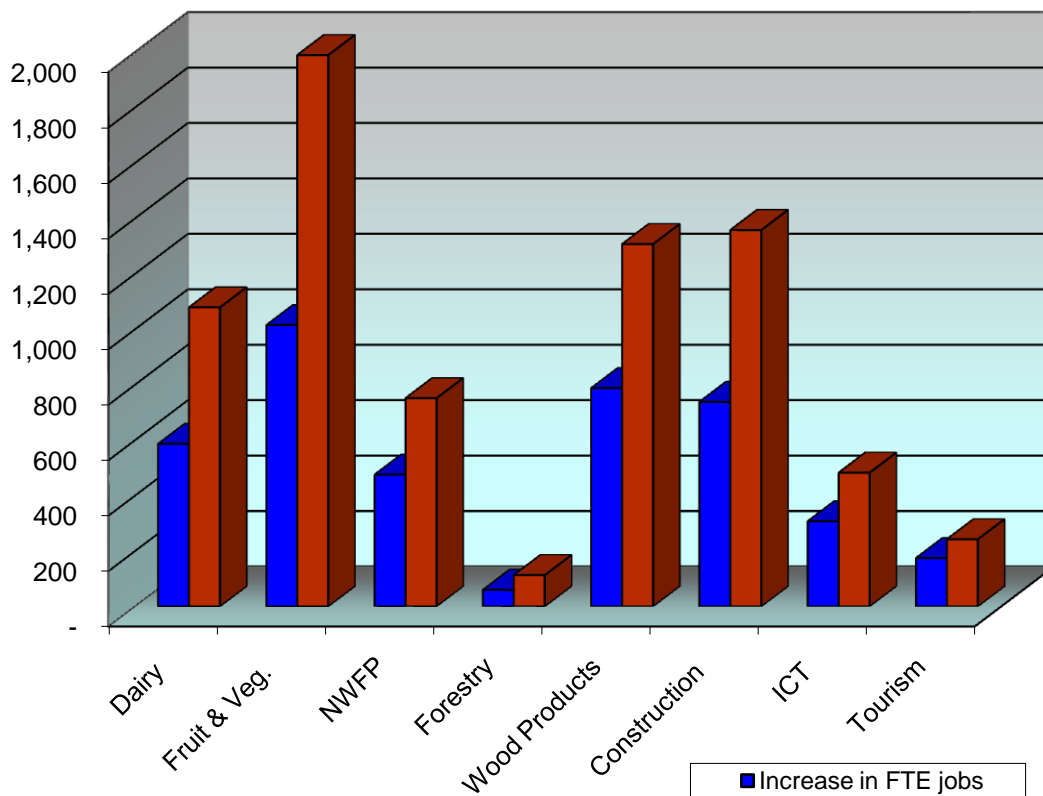


The multiplier effect for the total increase in sales for the LOP of 99,305,266 Euros is 184,216,437 Euros. On average, each 1 Euro increase in sales generates another 1.86 Euros all the way through the value chain of KPEP-targeted sectors.

If KPEP uses these data and compares them with the LOP target for sales, 50 million Euros, the project has by far exceeded this target, even though the project does not have multipliers for all sectors.

2. Employment

Sector	Increase in FTE jobs	Employment	Multiplier Effect
Dairy	586.46	1.84	1,079.09
Fruit & veg.	1,014.96	1.96	1,989.32
NWFP	475.61	1.58	751.46
Forestry	59.92	1.89	113.25
Wood products	787.60	1.66	1,307.42
Construction	738.12	1.84	1,358.14
ICT	307.45	1.57	482.70
Tourism	174.58	1.39	242.67
TOTAL	4,144.70		7,324.04



The multiplier effect for the total increase in employment for the LOP of 4,144.70 FTE jobs is 7,324.04 FTE jobs. In average, for every one new FTE job, another 1.77 FTE jobs have been generated all the way through the value chain of KPEP-targeted sectors.

If KPEP uses these data and compares them with the LOP target on FTE jobs, 5,000 new FTE jobs at the end of Year 4, KPEP has exceeded this target, although the project does not have multipliers for all sectors.

ANNEX 1. REPORT ON INDICATORS

IR.1.3 (1) Accelerated Growth of Private Sector

Indicator: Exports as a Percentage of Imports – Kosovo Wide

Annex 1. Report on Indicators

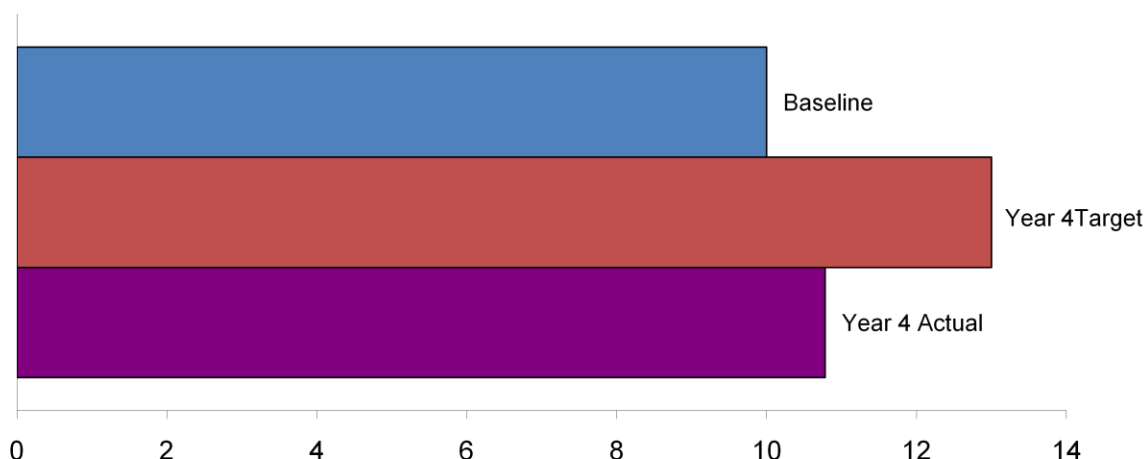
IR.1.3 (1) Accelerated Growth of Private Sector

Indicator: Exports as a Percentage of Imports – Kosovo Wide

Definition of the indicator: The total value of exports divided by the total value of imports, by sector.

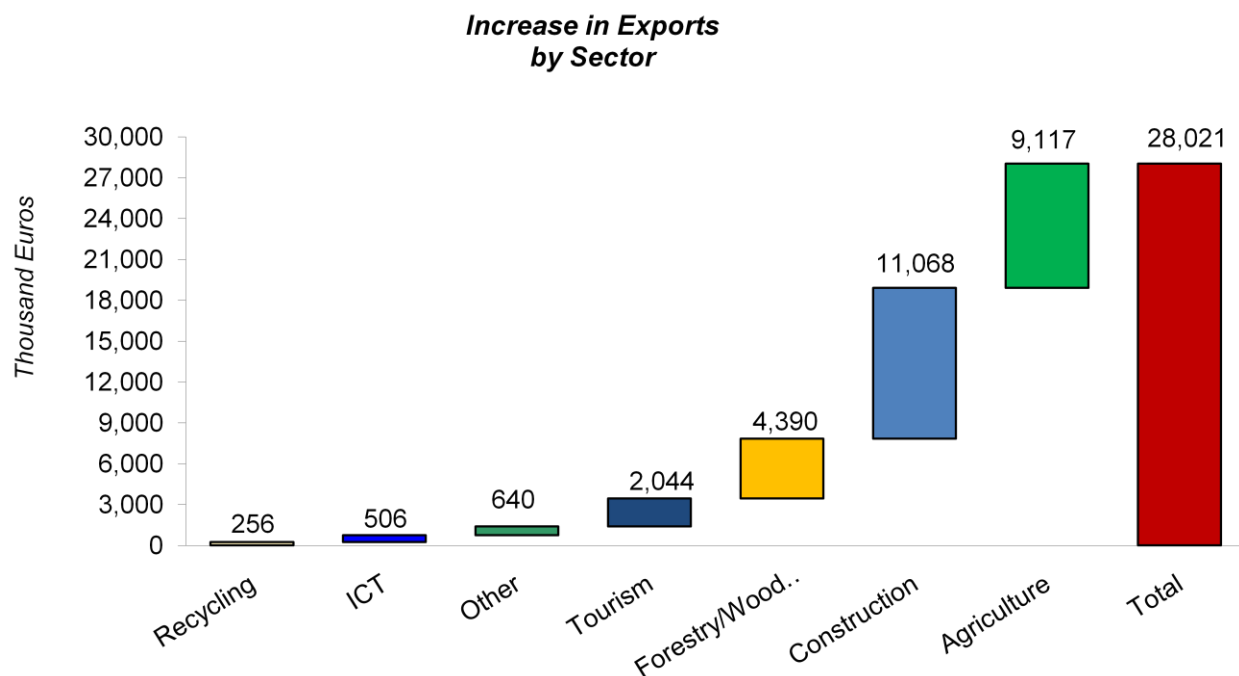
Data Source: Data were received from the Statistical Office of Kosovo (SOK).

Exports as a Percentage of Imports



Quarterly Results: This report contains data for the period October 2011-April 2012, or the most recent data available. The value of exports for this period was 150.0 million Euros, while imports were 1,391.7 million Euros, which represents 10.8 percent export/import coverage. During CY 2011, Kosovo exported goods valued at 321.9 million Euros, and imported 2,352.6 million Euros in goods, which provides for annual exports/imports coverage of 13.7%. In April 2012, Kosovo imported goods valued at 215.2 million Euros, and exported 20.7 million Euros, which provides for a coverage ratio of 9.6 percent.

The data collected from KPEP client enterprises indicate that exports to date were 40,543,830 Euros while imports were 82,905,134 Euros. This provides for a coverage ratio of 48.9%. Comparing to the baseline export data of KPEP clients, there was an increase of 28.0 million Euros for the LOP. The graph below shows the increase in exports by KPEP targeted sectors.

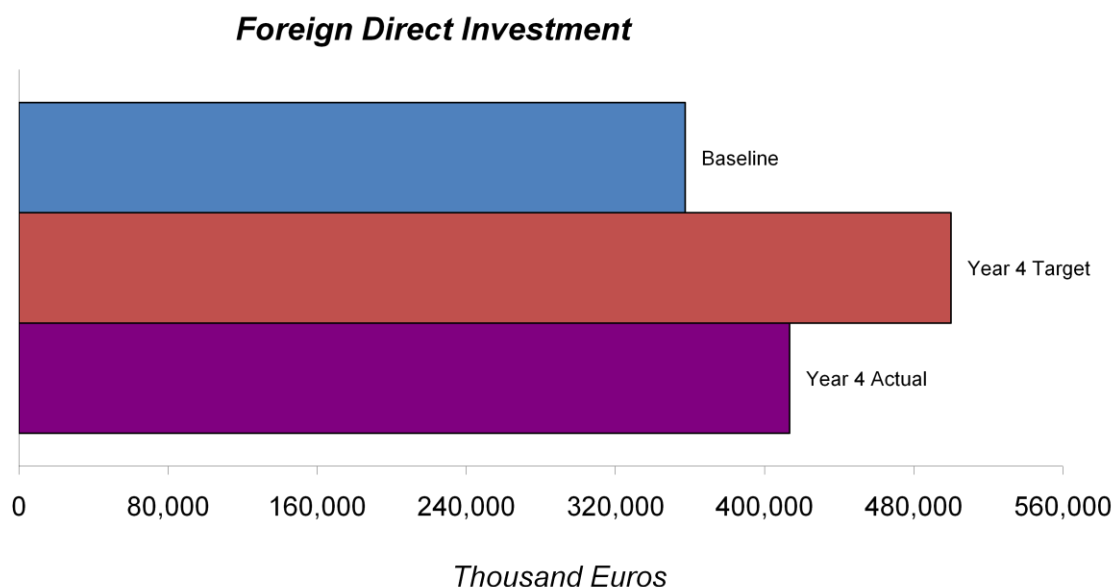


IR.1.3 (2) Accelerated Growth of Private Sector

Indicator: Foreign Direct Investment – Kosovo Wide

Definition of the indicator: Value of foreign private investment. Enterprise investment is defined as spending related to operational capital, technology, land and infrastructure.

Data Source: Baseline data were received from the Central Bank of the Republic of Kosovo.



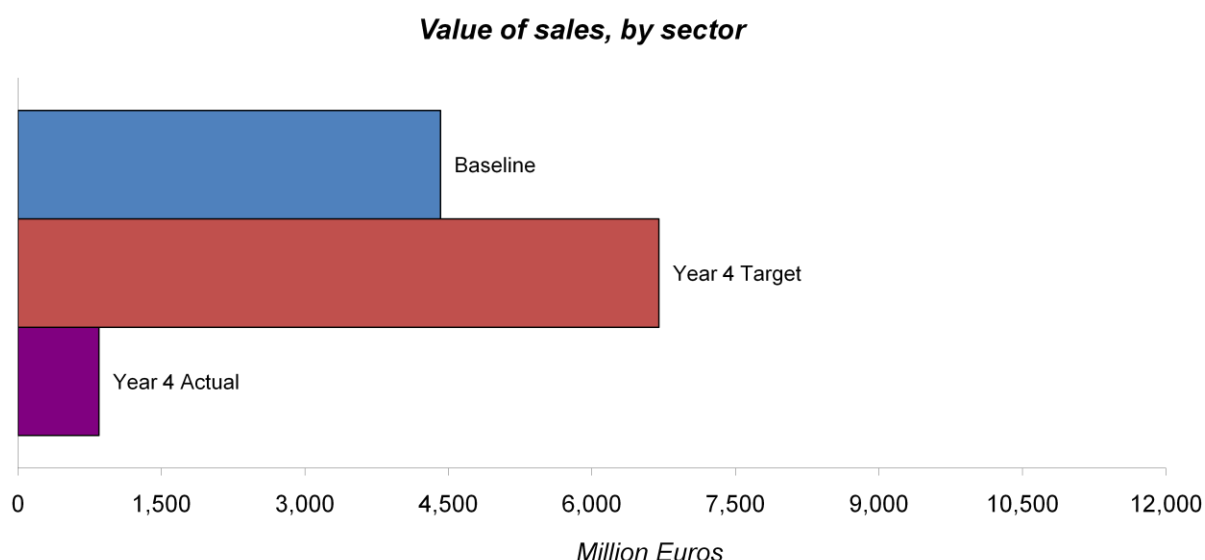
Quarterly Results: The information provided by the Central Bank of Kosovo and the World Bank Foreign Direct Investment in Kosovo for year 2010 (the most recent available data) indicate that there were in total 413.4 million Euros of foreign investment. The most recent data will be collected and presented for the annual report.

IR.1.3 (3) Accelerated Growth of Private Sector

Indicator: Value of sales, by sector – Kosovo Wide

Definition of the indicator: Value of goods and services sold during the year measured as gross business sales.

Data Source: The Tax Administration of Kosovo provided the data for this indicator.



Quarterly Results. The baseline includes the data for the period January-December 2008. KPEP has collected data covering the period October 2011-December 2011. The cumulative data for this period show 847.9 million Euros in sales made by all enterprises in Kosovo. The Tax Administration of Kosovo separates enterprises in Kosovo by different categories: by size, whether small or large enterprises; and by legal status, whether individual businesses, partnerships or corporations. No data were collected for this quarter. The data will be collected and presented for the annual report.

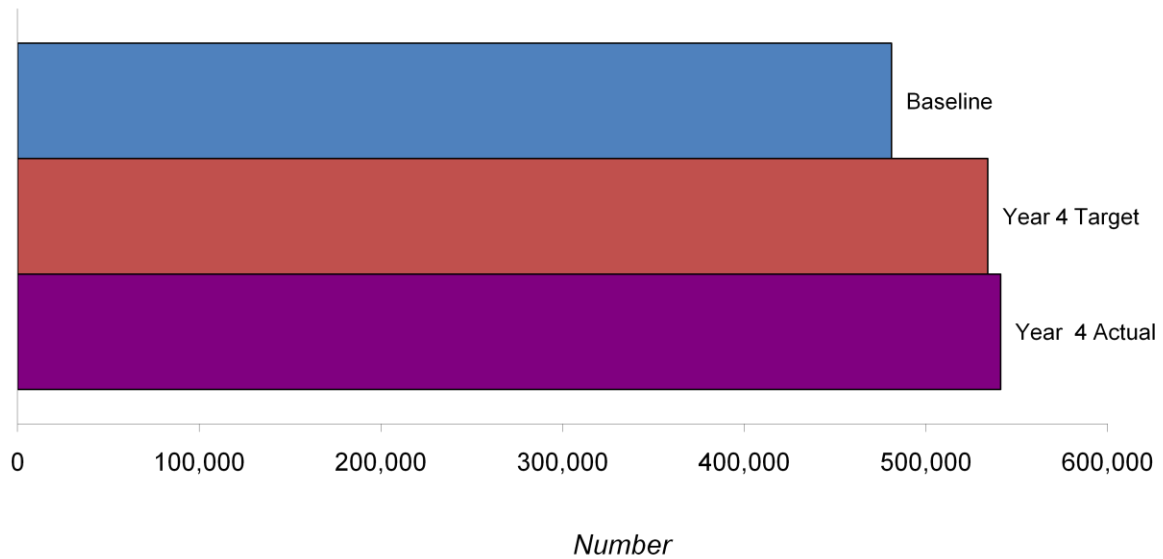
IR.1.3 (4) Accelerated Growth of Private Sector

Indicator: Number of people employed, by sector – Kosovo Wide

Definition of the indicator: Number of people employed, disaggregated by sector.

Data Source: The baseline data for this indicator were collected from the Macroeconomic Department of MEF. The quarterly data were collected from the Department for Labor and Employment (DLE) of the Ministry of Labor and Social Welfare (MLSW).

Number of People Employed in Kosovo



Quarterly Results. No data were collected for this quarter. The data will be collected and presented in the annual report.

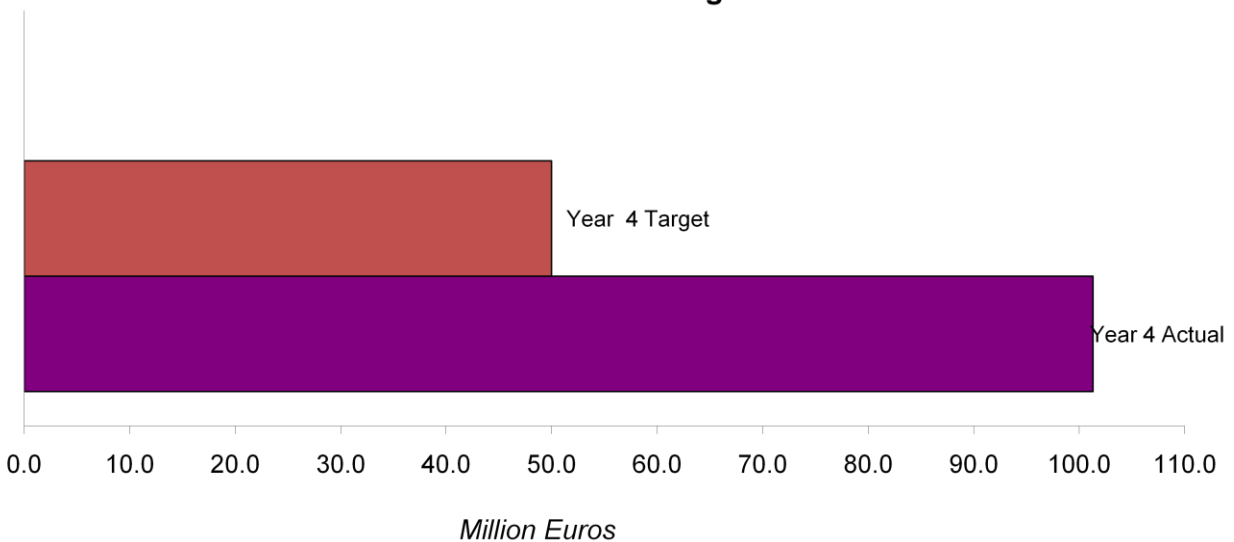
IR.1.3.1 (1) Increased Competitiveness of Key Sectors

Indicator: Increase in Sales in Target Sectors

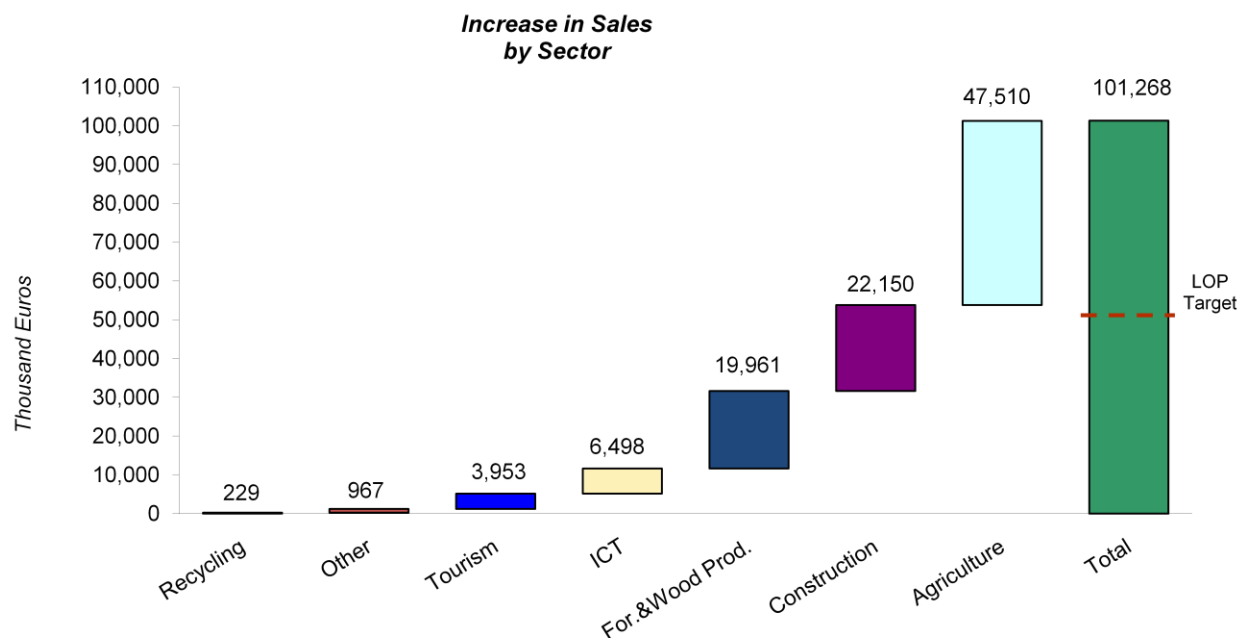
Definition of the indicator: The value of goods and services sold during the year is measured as gross business sales. It is an aggregate of all business sales related to the sector over a given period. This is measured for enterprises that receive KPEP support directly, through SAF or from specific transactions supported by KPEP.

Data Source: Data received from sector specialists.

Increase in sales in Target Sectors



Quarterly Results. The annualized baseline value of sales is 197,241,012 Euros, which represents the baseline sales data for 128 companies. The cumulative target for Q3 Year 4 is an increase of sales of 47,500,000 Euros. Cumulative increase to date is 101,268,234 Euros, which means that KPEP already exceeded the LOP target of 50,000,000 Euros. The main contributors to the LOP increase are agriculture, construction, and forestry and wood processing sectors, as shown in the graph below:

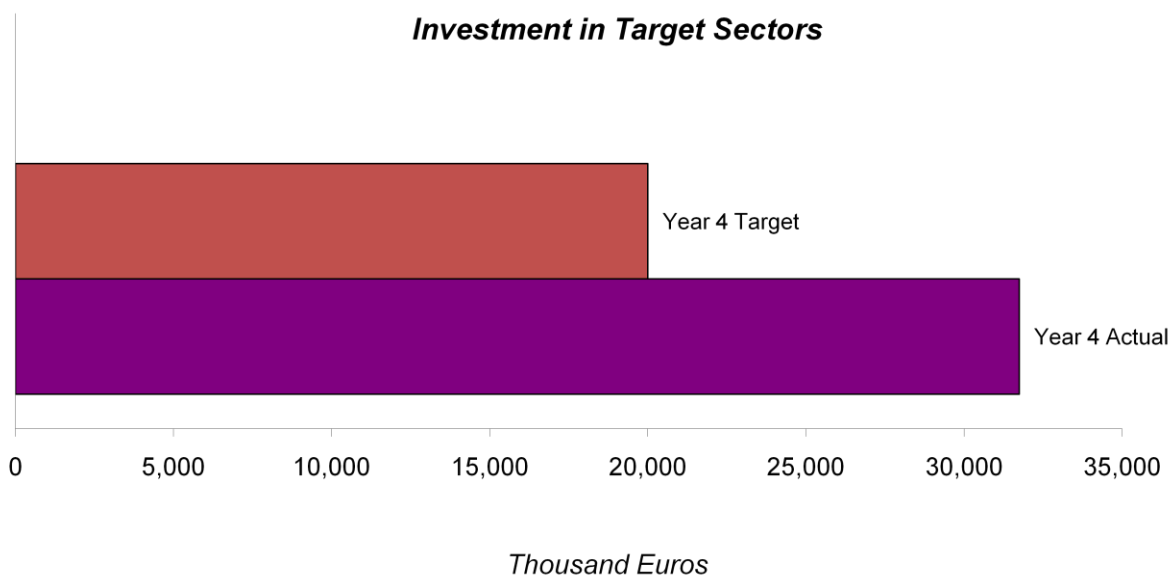


IR.1.3.1 (2) Increased Competitiveness of Key Sectors

Indicator: Increase in investments in target sectors

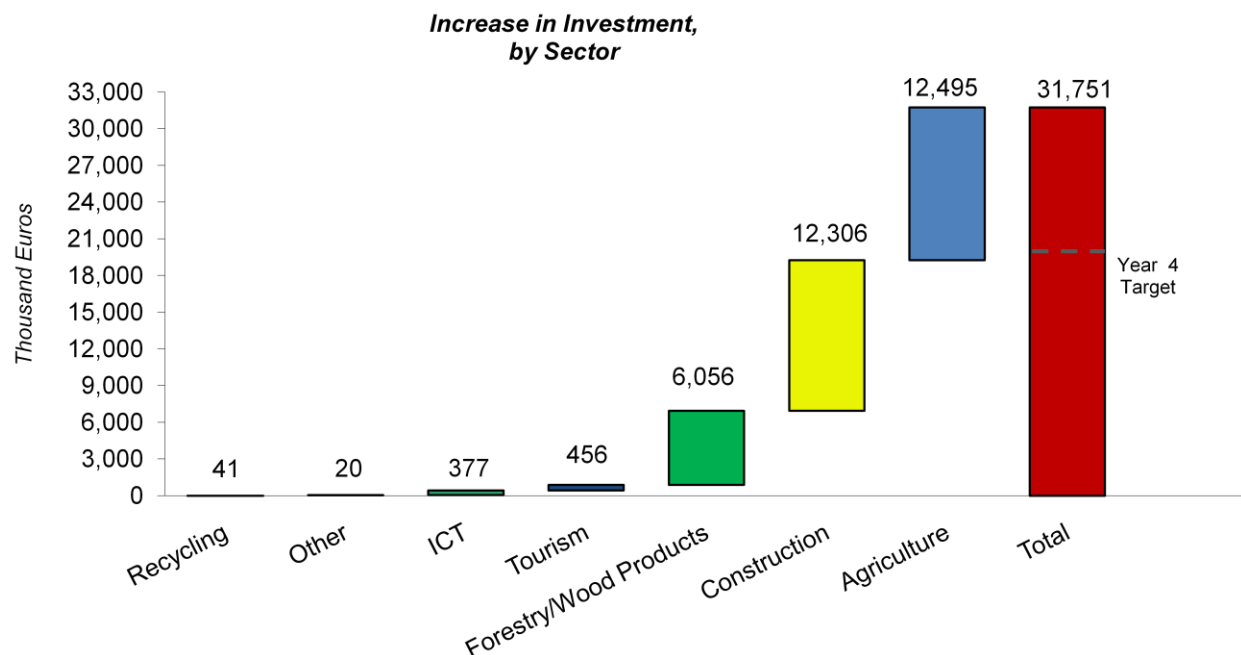
Definition of the indicator: Value of capital investments disaggregated by target enterprise, micro enterprise and by sector.

Data Source: Data received from sector specialists.



Quarterly Results. The cumulative value of investments to date is 31,751,077 Euros. Since the baseline figure was set at zero, the total value of investments in fact represents the total increase in investments. The cumulative target for Q3 Year 4 is an increase in investments of 19,000,000 Euros, a target that has already been exceeded. In fact, KPEP by far exceeded the LOP target for investment, which was set at a 20 million Euro increase.

The main contributor to the LOP increase is still the agriculture sector, followed by construction, and forestry and wood processing sector.



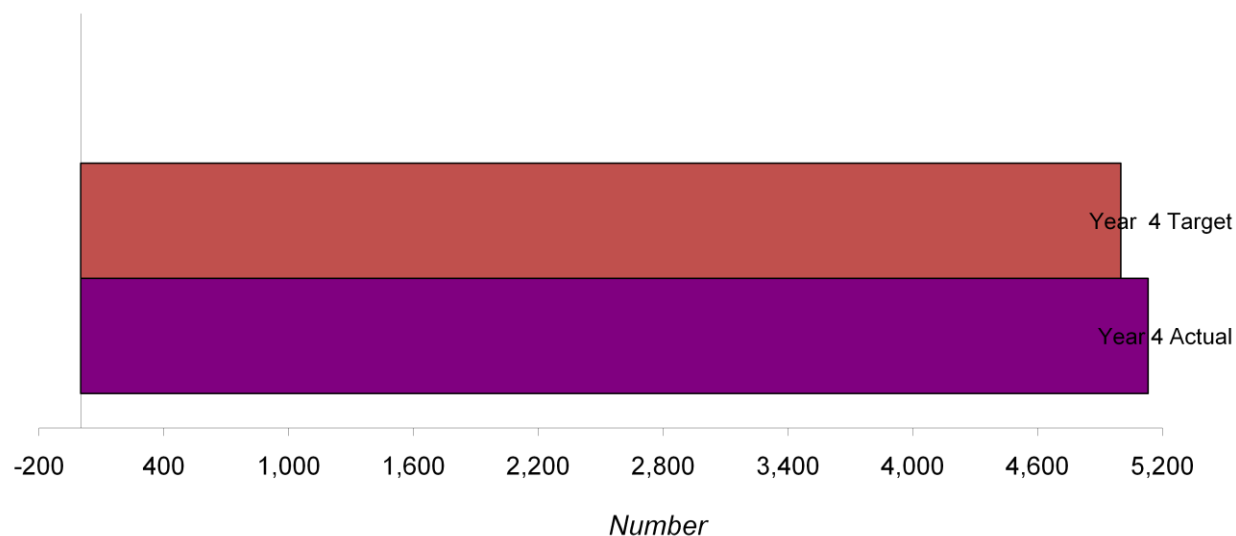
IR.1.3.1 (3) Increased Competitiveness of Key Sectors

Indicator: Increase in jobs created in target sectors

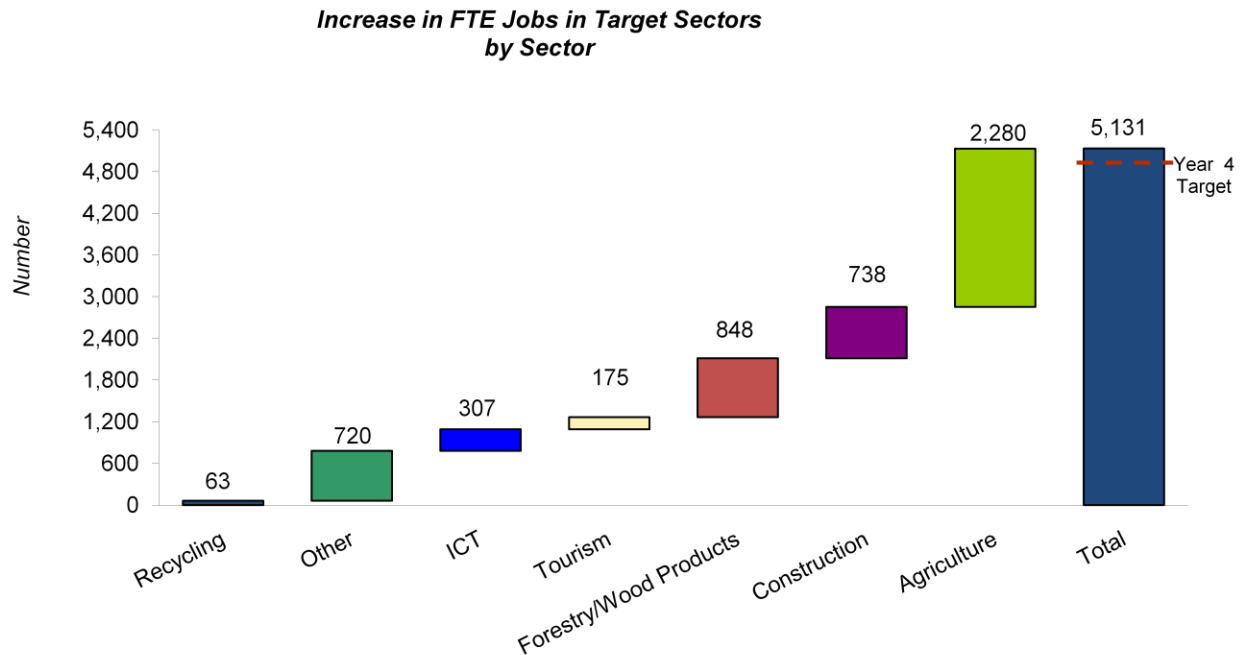
Definition of the indicator: Number of jobs created, disaggregated by target enterprise microenterprises, and by sector, in terms of full-time equivalent jobs in target enterprises. Person days of employment (part-time employment) are converted to annual full-time equivalent (FTE) jobs using 225 days of labor per year.

Data Source: Data received from sector specialists.

Increase in FTE Jobs in Target Sectors



Quarterly Results. The cumulative target for Q3 Year 4 is a 4,750 increase in FTE jobs. The cumulative increase of FTE jobs at KPEP client enterprises to date in Component One is 5,131 FTE jobs, which means that KPEP already reached and exceeded the target on FTEs. The multiplier effect for the total increase in employment for the LOP is 7,324 FTE jobs, although when calculating multipliers not all sectors were included. Below is provided the structure of the LOP increase in FTE jobs by sector. The main contributors to this increase were the agriculture, construction and forestry and wood products sectors. Under other sectors, the data mainly belong to the North Project.

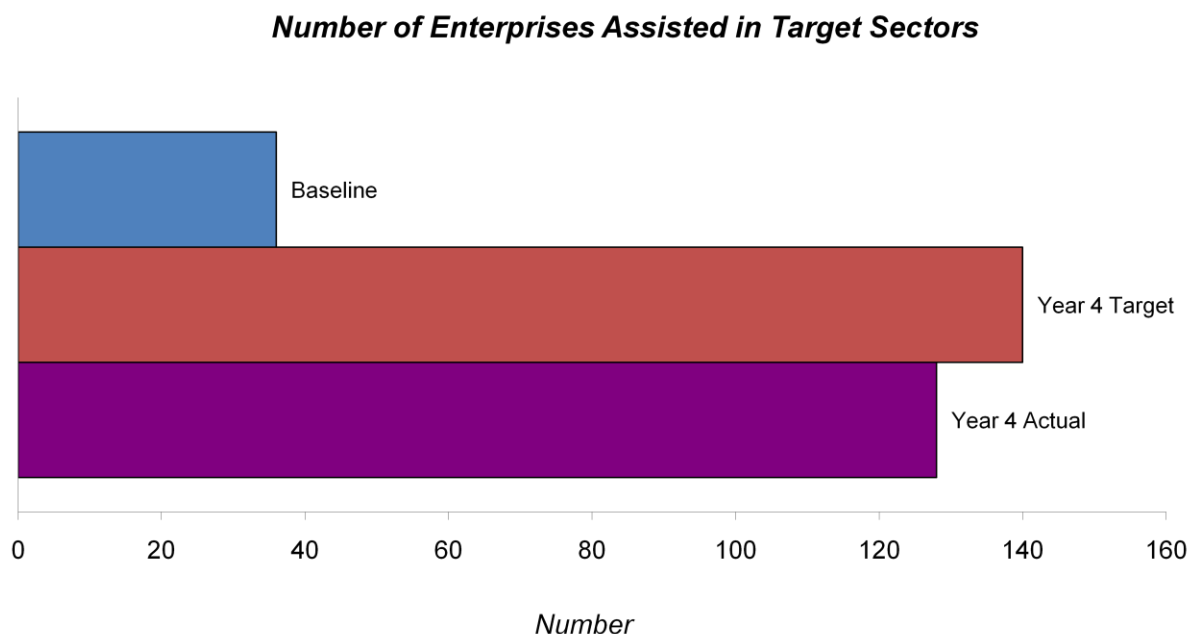


IR.1.3.1 (4) Increased Competitiveness of Key Sectors

Indicator: Number of enterprises assisted in target sectors

Definition of the indicator: Number of enterprises assisted directly by the project, disaggregated by microenterprise.

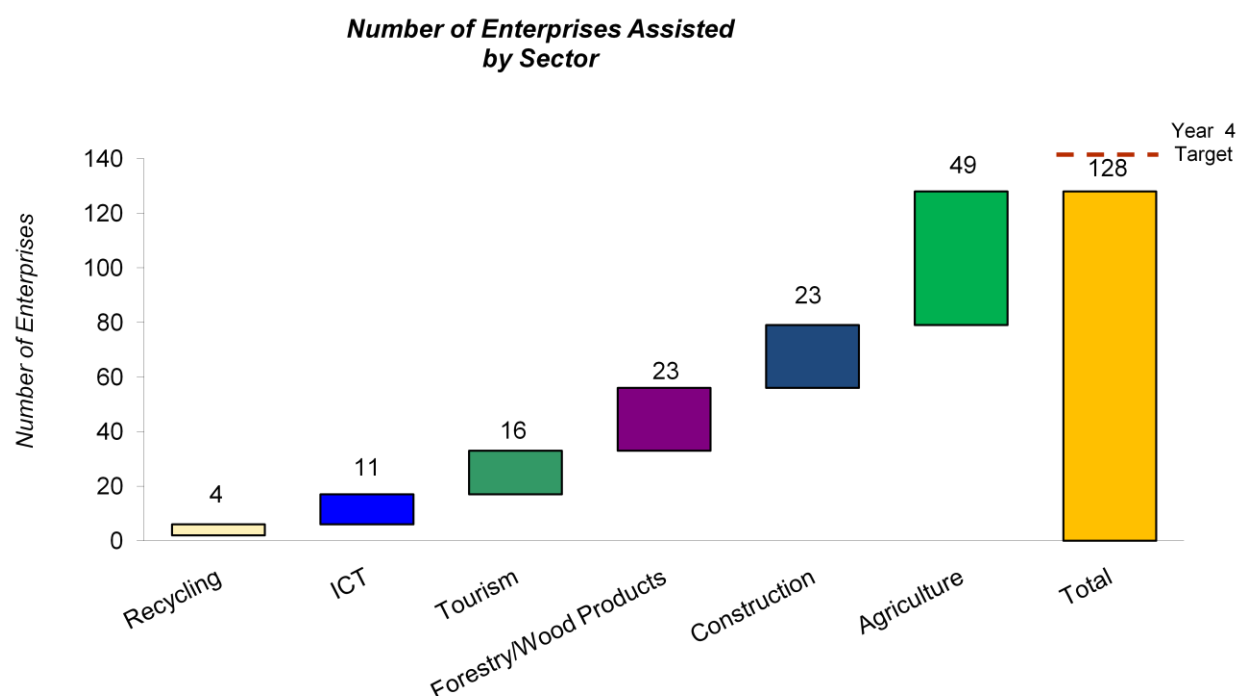
Data Source: Data were received from sector specialists.



Quarterly Results. To date, there are 128 KPEP direct-supported enterprises. These companies have signed cooperative agreements with KPEP and receive continuous support from KPEP. In return, these companies provide KPEP with their quarterly data on their key performance indicators. The cumulative target number for Q3 of Year 4 is set at 125 enterprises. No

enterprises were added during Q3. KPEP's activities reach almost 670 companies, as reported under another Performance Indicator.

The below provides a breakdown of KPEP's direct client enterprises, by sector.

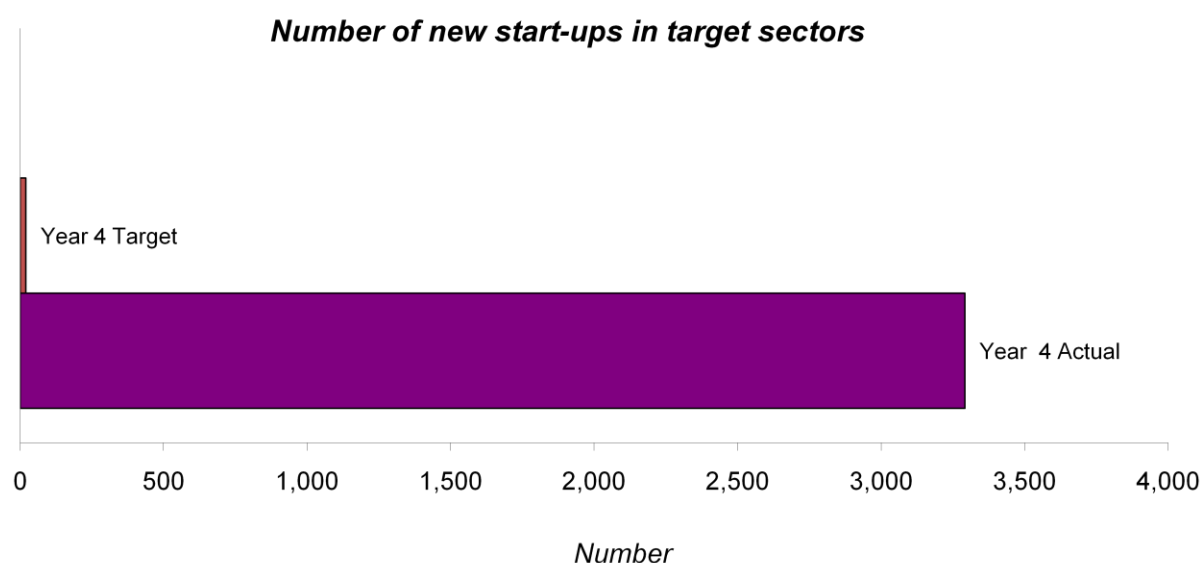


IR.1.3.1 (5) Increased Competitiveness of Key Sectors

Indicator: Number of new start-ups in target sectors, Kosovo wide

Definition of the indicator: Number of new start-ups, disaggregated by microenterprise and sector.

Data Source: Data were received from the Agency for Business Registry (ABRK) of the Ministry for Trade and Industry (MTI).



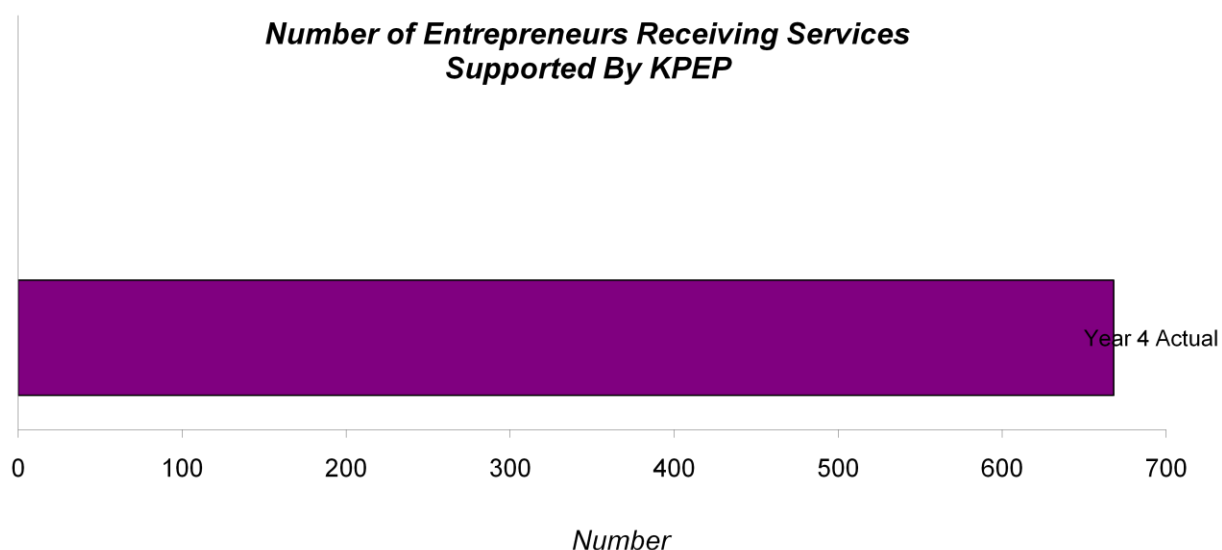
Quarterly Results. This is an annual report indicator. Data are as of September 30, 2011.

IR.1.3.1 (6) Increased Competitiveness of Key Sectors

Indicator: Number of entrepreneurs receiving services supported by USAID

Definition of the indicator: Number of entrepreneurs receiving services directly by KPEP or indirectly through associations supported by USAID

Data Source: Data received from sector specialists.



Quarterly Results. Any service provided, other than training (which is reported under Indicator 1 on workforce development component) is included and reported under this indicator. The list of services provided, among others, includes: study tours, HACCP assessment survey, trade and business linkages, etc. To this list are added also those enterprises that are not direct KPEP clients but that received KPEP support through grants and sub-contracts. To date, a total of 668 entrepreneurs have received services supported by KPEP. No changes were recorded during Q3.

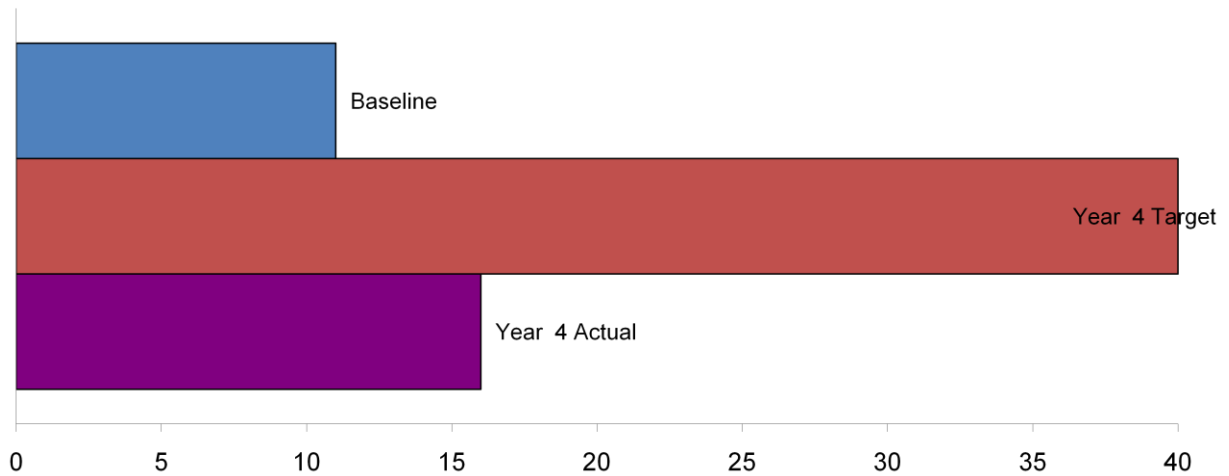
IR.1.3.2 (1) Improved and Demand Driven Business Support Services

Indicator: Number of enterprises and associations providing business support services

Definition of the indicator: Number of enterprises and associations providing business support services that are assisted by KPEP.

Data Source: Data received from sector specialists and BSS team.

***Number of enterprises and associations
providing business support services***



Number

Quarterly Results. A total of 16 BSPs are included in the list of KPEP-assisted BSPs. No new companies were added during Q3, due to the fact that the activities in Component Two were diverted from working with business consultants and other service providers to working with associations instead.

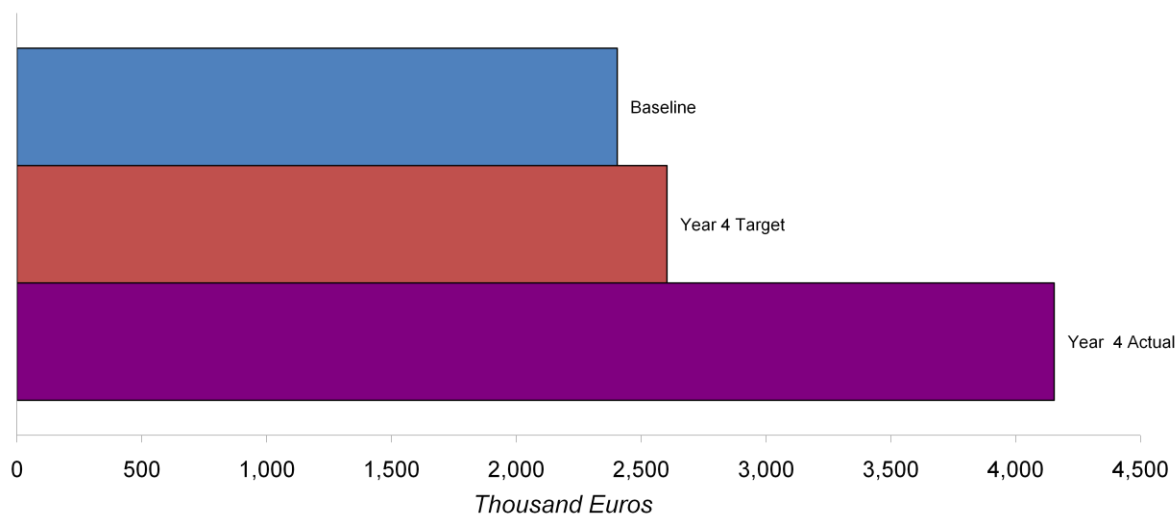
IR.1.3.2 (2) Improved and Demand Driven Business Support Services

Indicator: Increase of sales among BSPs

Definition of the indicator: Value of sales among targeted BSPs, supported by KPEP and disaggregated by export sales.

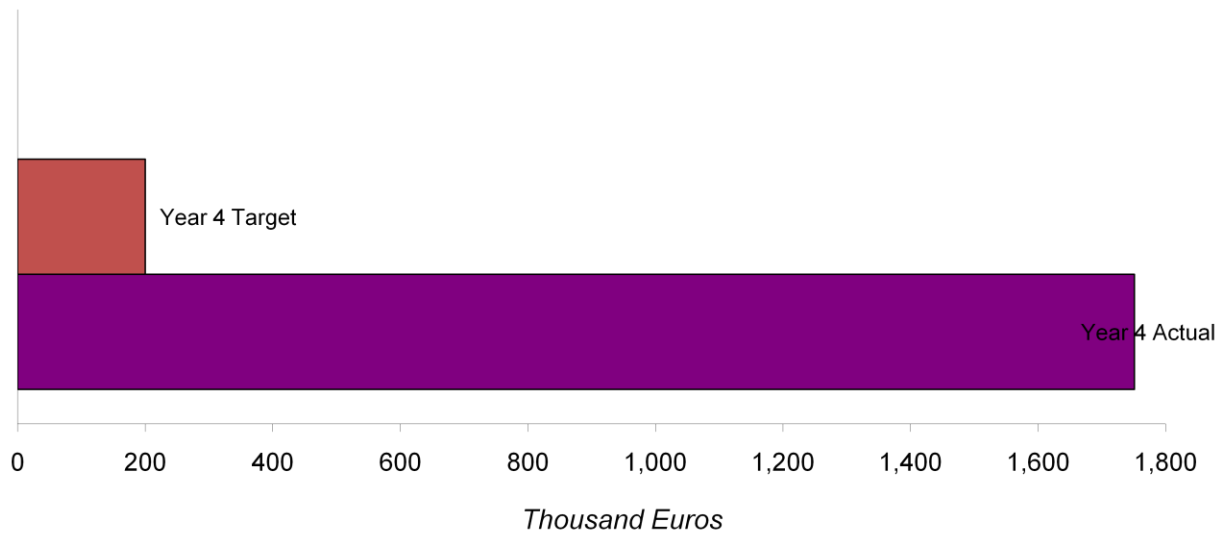
Data Source: Data received from sector specialists and BSS team.

Total value of sales among BSPs



Quarterly Results. The target cumulative increase in sales for Q3 Year 4 is 187,500 Euros over the baseline. The cumulative increase in sales to date is 1,750,878 Euros, which by far exceeds LOP target increase in sales of 200,000 Euros. During Q3, there was an increase in sales comparing to the baseline data of 211,790 Euros. The graph below presents the increase in sales, while the graph above represents the total sales value. The total value of sales among BSPs to date is 4,154,636 Euros, which is compared with a baseline of 2,403,758 Euros.

Increase in sales among BSPs



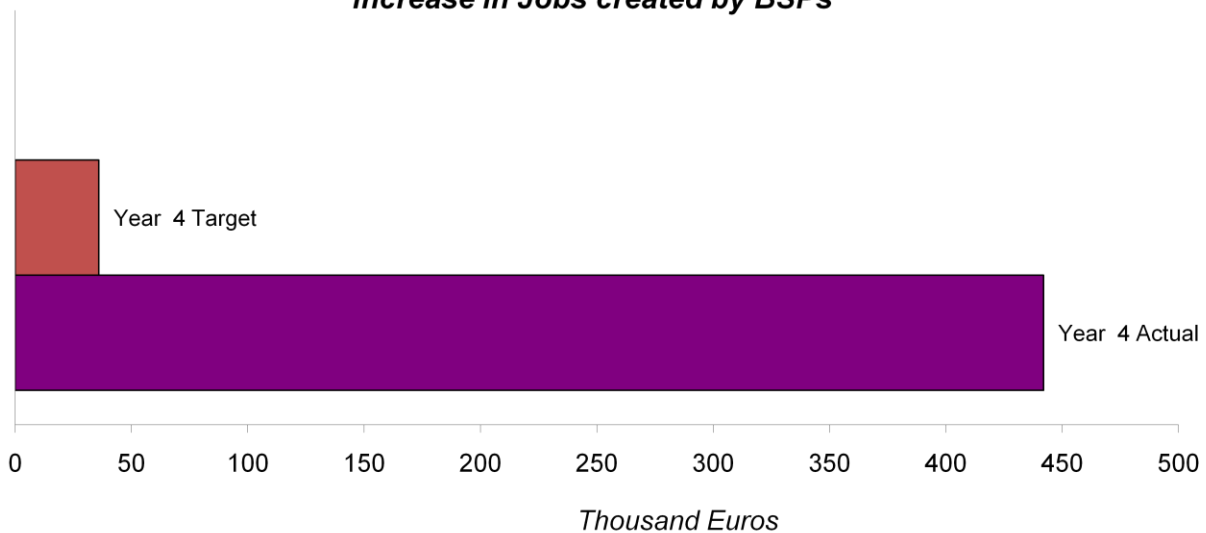
IR.1.3.2 (3) Improved and Demand Driven Business Support Services

Indicator: Increase in jobs created among USAID supported BSPs

Definition of the indicator: Number of jobs created, among target business service providers, in terms of full-time equivalent jobs. Person days of employment (part-time employment) are converted to annual full-time equivalent (FTE) jobs using 225 days of labor per year.

Data Source: Data received from sector specialists and BSS team.

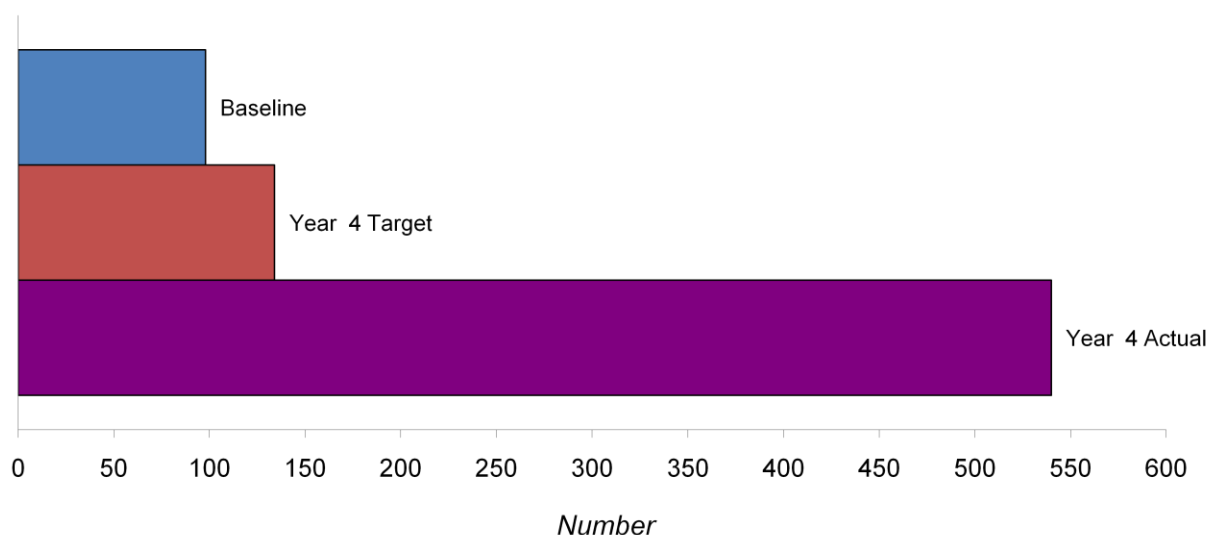
Increase in Jobs created by BSPs



Quarterly Results. The target cumulative increase in FTE jobs over baseline for Q3 of Year 4 is 37. The cumulative increase in FTE jobs to date is 442, which by far exceeds LOP target increase of 36 FTE jobs. The reason for this significant increase in FTE is explained by the

addition of the time that interns spent working in KPEP-supported enterprises, under internship programs sponsored by USAID, to the overall number of FTE jobs. The total number of FTE jobs among BSPs to date is 539.75, which is compared with a baseline of 98.09 FTE.

Increase in Jobs created by BSPs



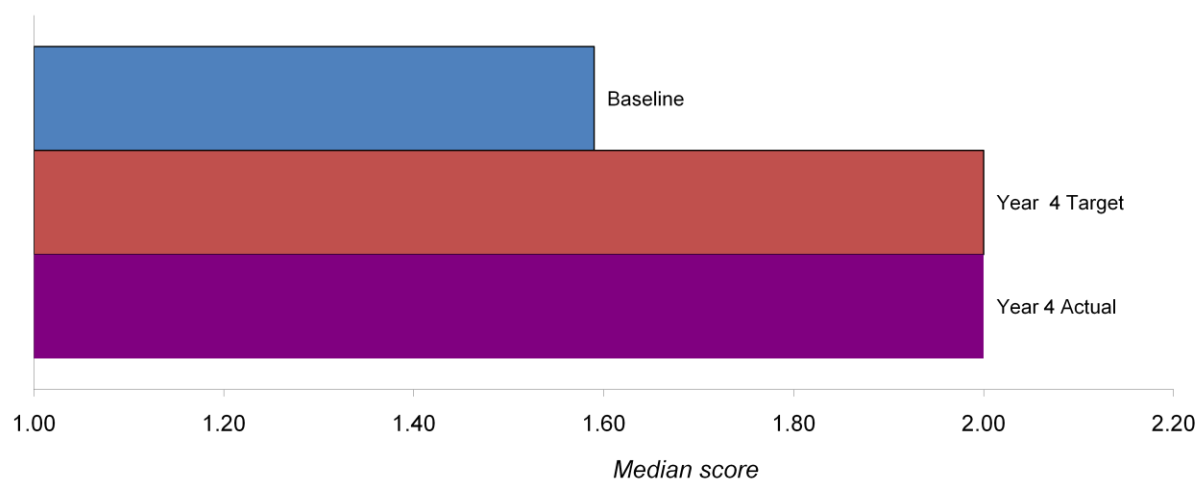
IR.1.3.2 (4) Improved and Demand Driven Business Support Services

Indicator: Progress on the Association Development Index

Definition of the indicator: Progress made by associations on eight elements of the Association Development Index for associations targeted by KPEP. The “Association Development Index as Applied to Selected Associations in Kosovo” assessment was conducted for associations of various businesses in the Republic of Kosovo. Sixteen business associations were chosen for this purpose. The data were collected using an evaluation tool/questionnaire, i.e. the Association Development Index, provided by USAID KPEP. The Index identified eight elements key to effective association management and was supplemented with questions to enhance understanding of each element. Evaluations of the individual associations were used to create the overall recommended baseline. That baseline was developed using statistical averages of mean, median and mode. The recommended baseline is 1.59, which is the median score. The idea is to conduct this type of assessment each year to monitor the progress of associations.

Data Source: Annual survey conducted in August 2011.

Progress on the Association Development Index



Quarterly Results. The first and second ADIs were published in year 2009, in January and October, respectively. By the end of 2009, modest improvements were observed—as of January 2009, the assessed mean score was 1.75; by October 2009 it had increased to 1.88. Throughout this “gap period,” between the second and most recent ADI Reports, the mean score, which reflects eight functional elements, has increased by 6.15 percent. Associations are rated through a process of interviews and careful research. The survey team gathered the information during face-to-face meetings with the highest representatives of each association. The process evaluates their functionality based on eight elements: Effort to Expand Financial Resources; Organizational Capacity; Financial Management; Strategic Planning; Data & Analysis; Networking; Member Services; Public Relations and Advocacy. Later, a similar questionnaire is provided to the association for the purpose of “self-evaluation” through which a sense of objectivity is achieved and both points of view are taken into consideration so as to provide a fuller picture of the actual progress. This year, all associations were interviewed and though the project received back just 70% of the self-evaluation reports. The average score for the general functionality of associations for August 2011 is 2.00 (compared with the 1.88 baseline). There was improvement in all areas of functionality with the largest emphasis on Strategic Planning and Organizational Capacities and less on Expanding the Financial Resources and Public Relations and Advocacy.

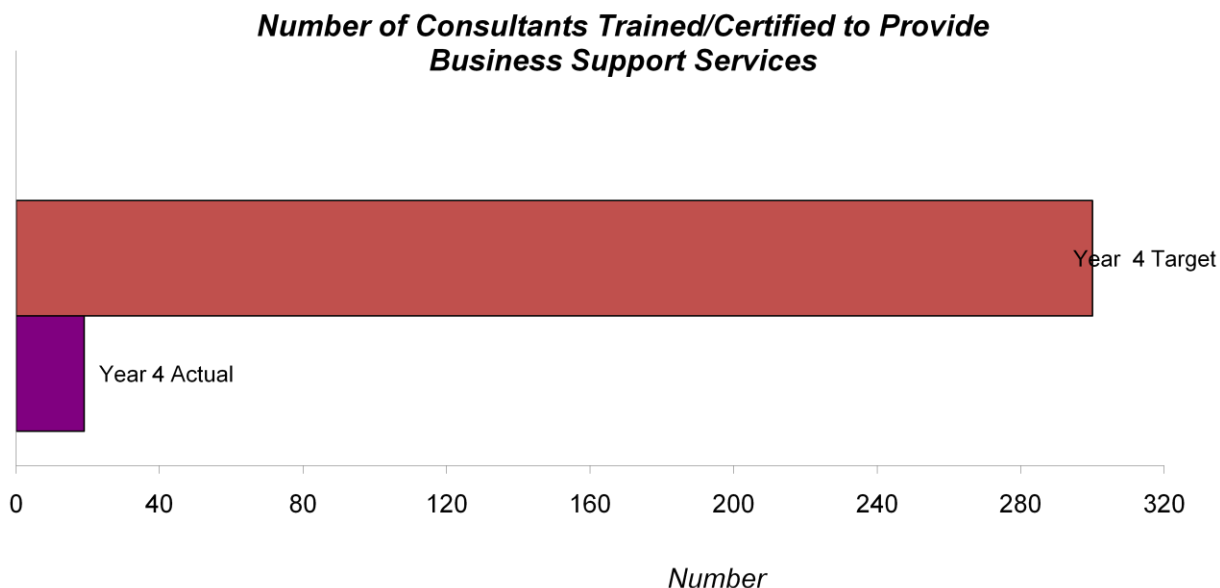
The next survey will be conducted by the end of Year 4.

IR.1.3.2 (5) Improved and Demand Driven Business Support Services

Indicator: Number of consultants trained/certified to provide business support services

Definition of the indicator: Number of consultants trained/certified to provide business support services, trained by KPEP or a target BSP, and supported by USAID.

Data Source: Data received from sector specialists and BSS team.



Quarterly Results. The LOP target for the number of consultants trained or certified to provide business support services is 300. No changes were reported during this quarter. The actual result presented in the chart remains the same as in the last annual report. During Year 1, 19 consultants were certified following the “Kosovo Premier Advisor” training course. No changes are anticipated until project end.

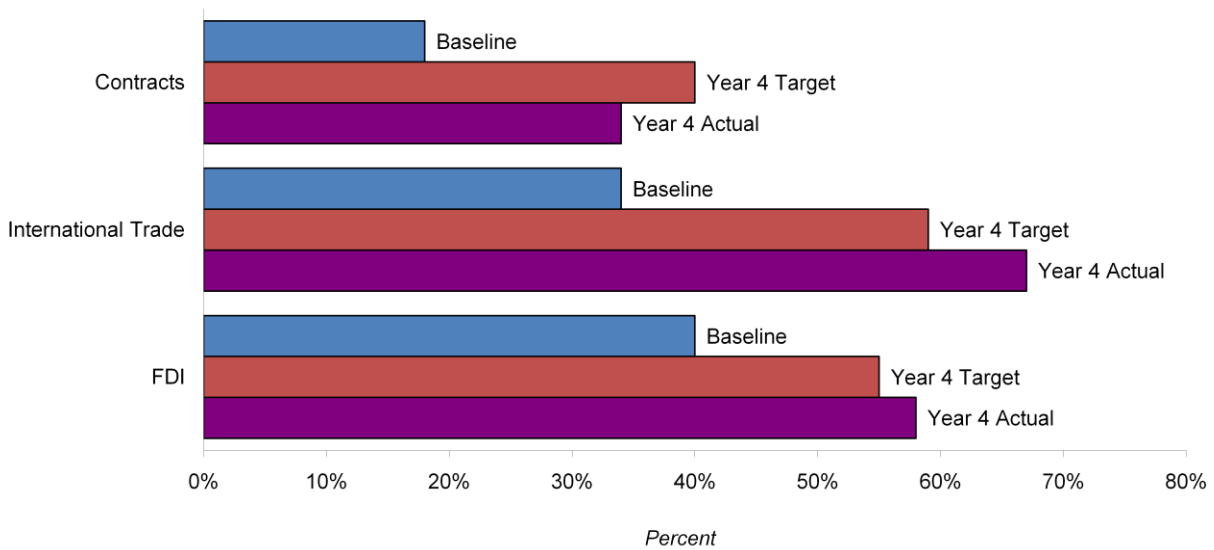
IR.1.3.3 (1) Improved Business Operating Conditions

Indicator: Progress on the Business Environment Index (BizClir)

Definition of the Indicator: The mechanism for monitoring the BEE is the set of Commercial Legal Institutional Reform Assessment Indicator scores compiled for USAID in 2004 and updated in 2006. A 2009 update conducted by KPEP established a baseline, and subsequent updates will chart progress of indicators and subcategories relevant to KPEP activities each year.

Data Source: Annual survey was conducted in January 2010 to update the BizClir Index for 2009.

Progress on BizCLIR Indicators



Quarterly Results. KPEP will not conduct any survey regarding this indicator. BEEP, a new USAID project, will follow up on this task.

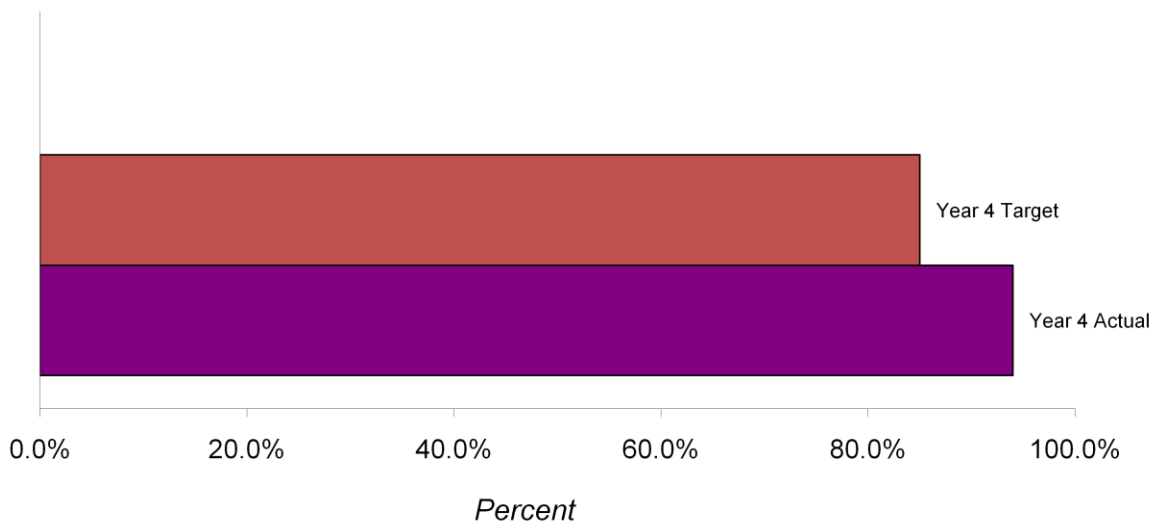
IR.1.3.3 (2) Improved Business Operating Conditions

Indicator: Progress on the policy index

Definition of the Indicator. The number of policies that have met or exceeded established targets on the policy index using percentage of completion.

Data Source: Data received from BEE team.

Progress on the Policy Index



Quarterly Results. The overall score for all policies to date is 94%, calculated as weighted average for completion of all policies taken together. The target for the Year 4 on Policy index is set at 85%. Below is the list of policies in which KPEP was involved in, number of actions that KPEP possibly could be involved and number of actions taken to address the issues regarding specific policies.

Policy	KPEP's possible actions	KPEP's taken actions
Public Private Partnership	7	7
CEFTA Implementation	11	7
Removal of Tariffs on certain wood imports	8	8
Revision of Waste Management Policy	2	2
Implementation of the Food and Veterinary Law	4	4
Pilot Forest certification	13	13
Law on Construction	7	6
ccTLD – Establishment of Telecom Regulatory Agency Board	11	11
ccTLD – Domain Registry Administrative Instruction	8	8
Tourism Law	7	7
Excise Tax Reform	6	6

The version of the Draft Law on Construction that has been developed by BEEP has been approved by the Government of Kosovo and sent to the Assembly. KPEP is in concurrence with most of the new version. However it provided some comments and suggestions to both BEEP and USAID regarding some issues that need further clarification and development.

The additional amendments to the Law on Tourism (which has been adopted by the Assembly on Feb 11, 2010, and decreed by the President on March 2, 2010) are returned by the Assembly of Kosovo; the amendments are back to the MTI for revision.

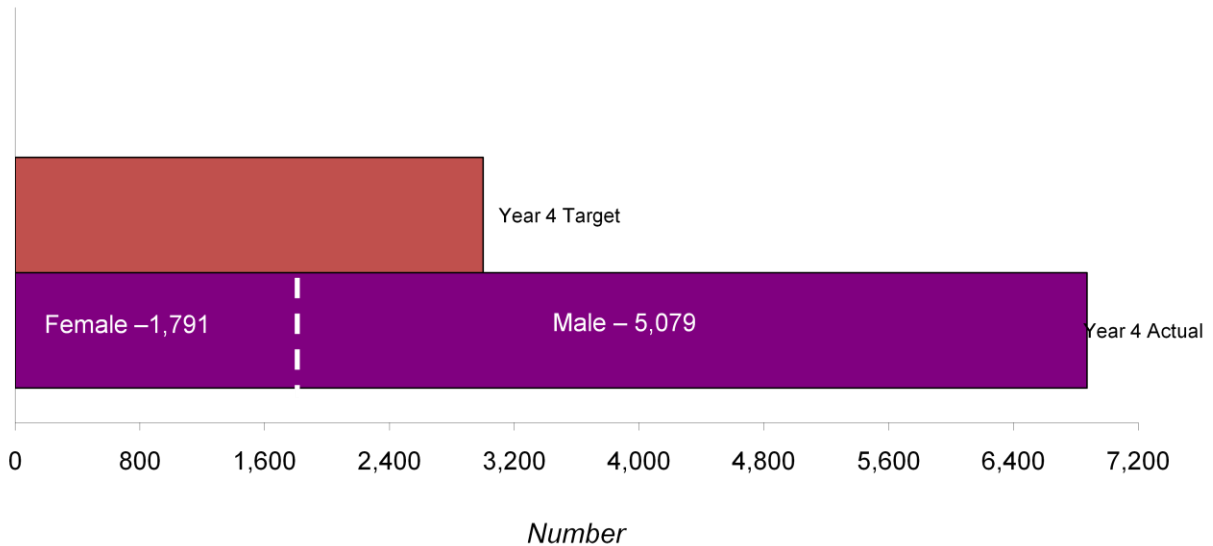
IR.1.3.4 (1) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: The number of individuals trained through USAID-sponsored training

Definition of the indicator: The number of individuals trained, disaggregated by gender, age, ethnicity, sector, type of training, etc.

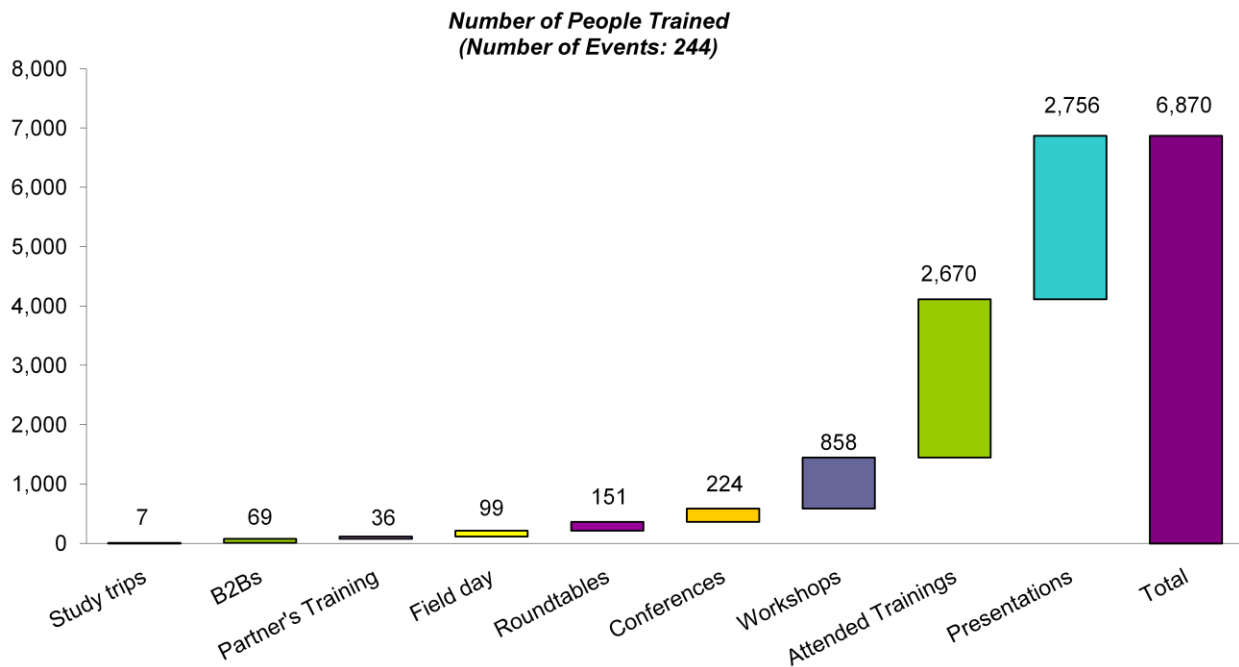
Data Source: Data received from sector specialists and WFD team.

Number of People Trained



Quarterly Results. To date, the number of people trained is 6,870, thus exceeding the LOP target of 3,000 people trained. From the total number of people trained during the year, 5,079 were male and 1,791 female; moreover, 438 were from minority areas, and 2,119 were younger than 25 years of age.

Below is the chart that presents number of training events, and number of people trained by training category for the LOP.

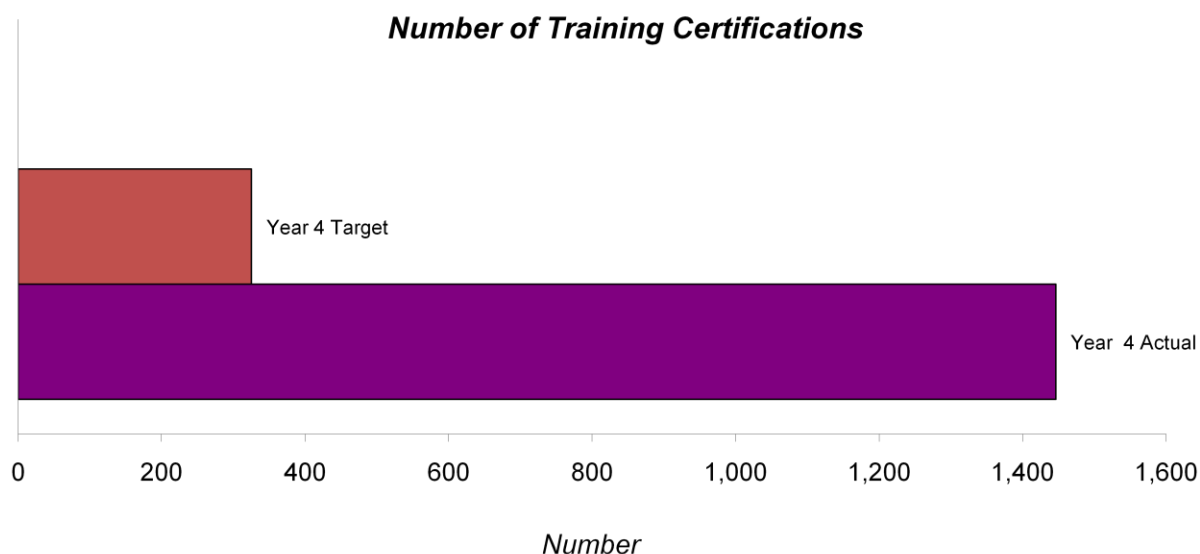


IR.1.3.4 (2) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: Number of training certifications

Definition of the indicator: Number of training certifications earned by participants for completing the training.

Data Source: Data received from sector specialists and WFD team.



Quarterly Results. To date, the number of training certifications earned by participants for completing training is 1,446. During Q3 alone, 154 individuals who participated in USAID-supported training activities received certificates of completion.

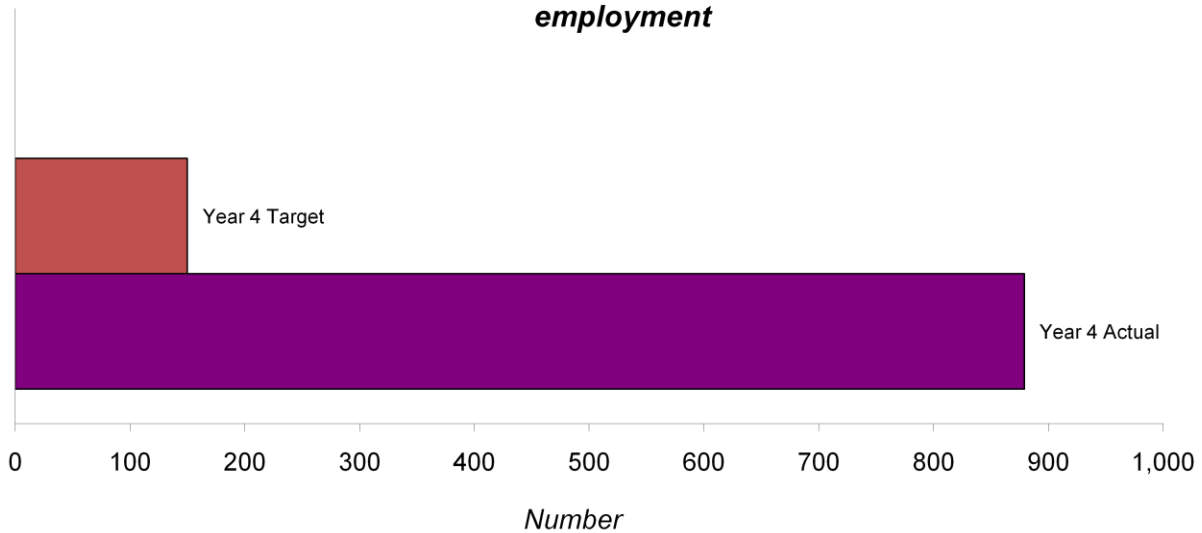
IR.1.3.4 (3) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: Number of program participants who obtain employment

Definition of the indicator: Number of program participants who obtain employment, disaggregated by gender and ethnicity.

Data Source: Data received from sector specialists and WFD team.

Number of program participants that obtain employment



Quarterly Results. To date, a total of 879 people have obtained employment with the support of KPEP. During Q3 alone, 12 people gained employment.

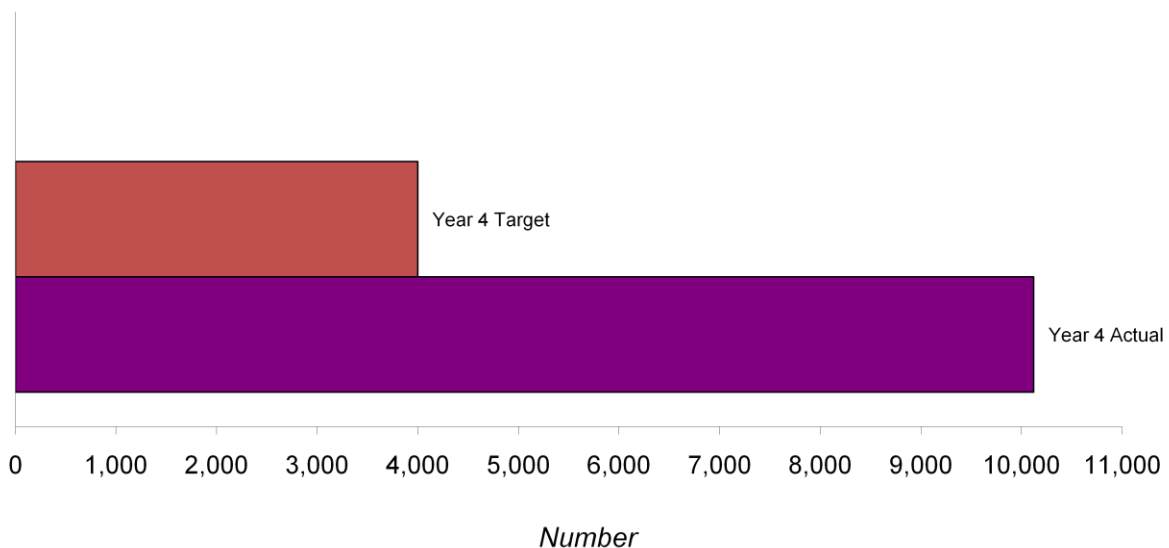
IR.1.3.4 (4) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: Number of individuals provided with services

Definition of the Indicator: Number of individuals provided with services, disaggregated by type of service: counseling, referrals, placement, gender and ethnicity. It excludes the number of people trained, since that number is reported under indicator IR.1.3.4 (1).

Data Source: Data received from sector specialists and WFD team.

Number of Individuals Provided with Services



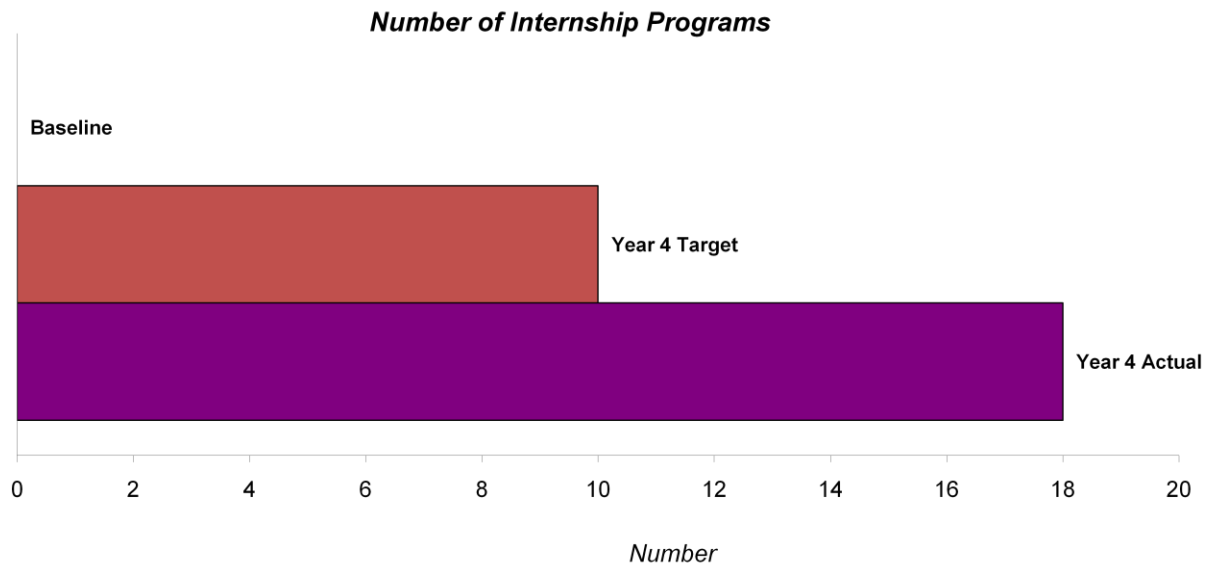
Quarterly Results. To date, the number of individuals provided with services is 10,121. This number includes for the most part individuals who participated in trade fairs supported by USAID. During Q3, 30 new individuals were supported by KPEP.

IR.1.3.4 (5) Improved Capacity of the Workforce to Engage in Employment Opportunities

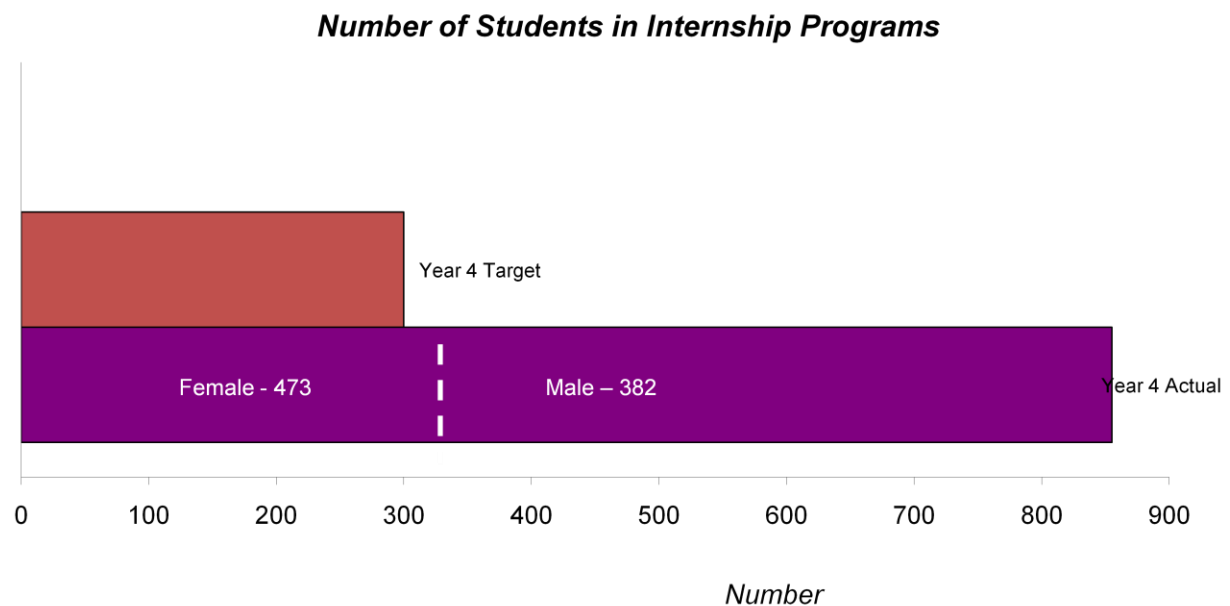
Indicator: Number of Internship programs

Definition of the Indicator: Internships include any sort of embedded training or on-the-job training.

Data Source: Data received from sector specialists and WFD team.



Quarterly Results. To date, KPEP has organized 18 different activities related to internships. Two programs that were reported as internships were reclassified as other trainings since they did not include an internship component. No changes were reported during this quarter. There were in total 855 interns (473 male and 382 female).

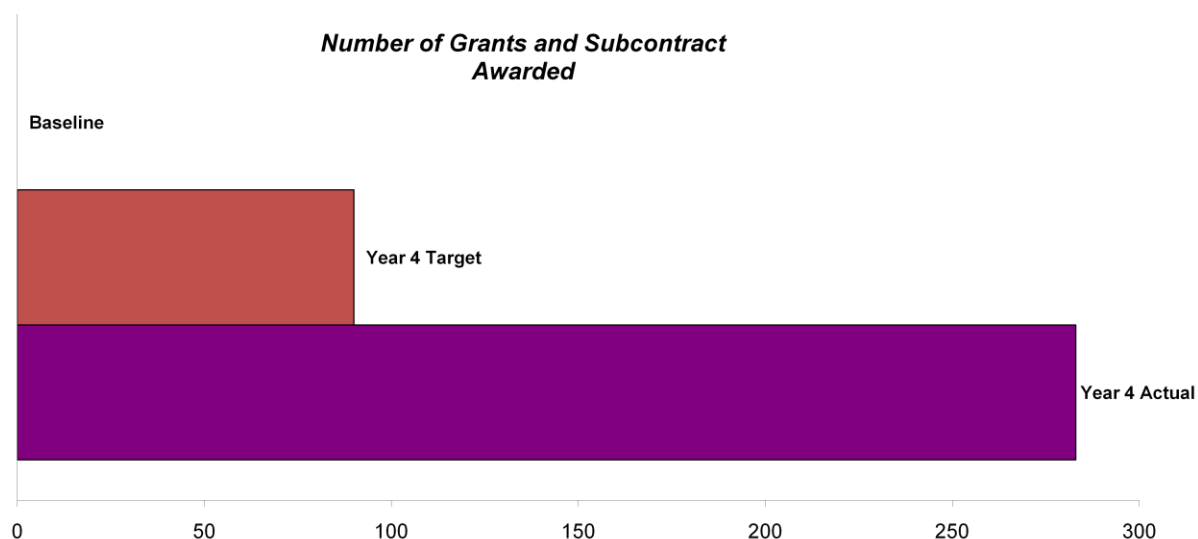


Strategic Activities Fund

Indicator: Number of grants/sub-contracts

Definition of the Indicator: Number of grants and sub-contracts awarded.

Data Source: Data received from SAF specialist.

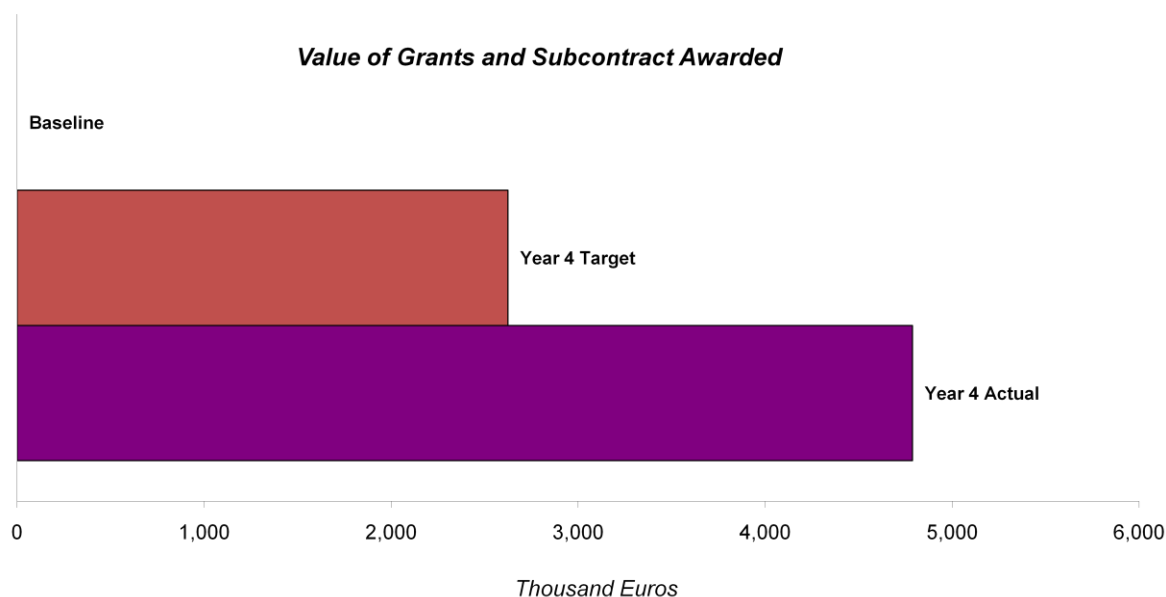


Quarterly Results. To date, KPEP supported its beneficiaries with 60 sub-contracts and 223 grants. During Q3 alone, KPEP awarded 95 grants, all of them in the north of Kosovo.

Indicator: Value of grants and sub-contracts

Definition of the Indicator: Value of grants and sub-contracts awarded.

Data Source: Data received from SAF specialist.



Quarterly Results. To date, KPEP has supported its beneficiaries with 918,501 Euros in sub-contracts and 3,869,815 Euros in grants.

ANNEX 2: PMP REPORT-ANNUAL GOALS AND RESULTS

Annex 1: PMP Report-Annual Goals and Results

SO# IR#	SO Name	Unit measure	Baseline e Year	Baseline Value	2009 Target	2009 Actual	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
1.3	Accelerated Growth of Private Sector											
Indicators												
1 (AR)	Exports as % of imports, by sector	Percent	2008	10.20	11.00	0.00	11.50	12.80	12.00	13.93	13.00	10.78
2	Foreign direct investment, by sector	Thousand Euros	2008	357,400	430,000	291,500	451,000	354,300	475,000	413,402	500,000	0
3	Value of sales, by sector	Thousand Euros	2008	4,418,000	4,900,000	4,552,795	5,400,000	3,294,933	6,000,000	10,687,247	6,700,000	847,888
4	Number of people employed, by sector	Number	2008	481,000	488,000	496,708	512,000	517,594	523,000	532,745	534,000	541,064
1.3.1	Increased Competitiveness of Key Sectors											
Indicators												
1	Increase in sales in target sectors over the baseline	Euros	2008	197,241,012	8,000,000	13,177,698	20,000,000	41,003,603	40,000,000	71,513,204	50,000,000	101,268,234
	% increase in sales over current baseline	Percent	2008	0	9.40	25.70	16.40	33.60	25.30	45.20	24.40	51.30
2	Increase in investments in target sectors	Euros	2008	0	3,200,000	9,570,686	8,000,000	15,256,256	16,000,000	26,237,767	20,000,000	31,751,077
3 (AR)	Increase in jobs created in target sectors	Number	2008	2,414	800	293	2,000	1,590	4,000	3,515	5,000	5,131
4	Number of enterprises assisted in target sectors	Number	2008	36	61	47	85	66	110	126	140	128
5	Number of new start-ups in target sectors	Number	2008	0	7	448	12	663	16	3,292	20	3,292
6	Number of entrepreneurs receiving services supported by USAID	Number	2008	0	0	496	500	539	0	668	0	668
1.3.2	Improved and Demand Driven Business Support Services											

SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2009 Target	2009 Actual	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
Indicators												
1	Number of enterprises and associations providing business support services	Number	2008	11	20	15	30	15	35	16	40	16
2	Increase of sales among BSPs	Euros	2008	2,403,758	40,000	236,566	110,000	752,302	150,000	1,355,659	200,000	1,750,878
3	Increase in jobs created among USAID supported BSPs	Number	2008	98	8	23	18	74	31	410	36	442
4	Progress on the Association Development Index	Median score	2008	1.59	1.6	1.65	1.7	1.65	1.9	2.0	2	2.0
5	Number of consultants trained/certified to provide business support service	Number	2008	0	70	19	150	19	240	19	300	19
1.3.3	Improved Business Operating Conditions											
Indicators												
1	Progress on the Business Environment Index (BizCLIR)											
1.1	Contracts	Percent	2008	18	25	0	32	34	40	34	50	0
1.1.1	Supporting Institutions (B.3)	Percent	2008	10	15	0	19	21	24	21	30	0
1.1.2	Social Dynamics (B.4)	Percent	2008	26	35	0	44	41	55	41	69	0
1.2	International Trade	Percent	2008	34	41	0	49	67	59	67	70	0
1.2.1	Legal Framework (H.1)	Percent	2008	41	45	0	53	82	63	82	74	0
1.2.2	Implementing Institutions (H.2)	Percent	2008	27	40	0	47	45	56	45	65	0
1.2.3	Supporting Institutions (H.3)	Percent	2008	35	40	0	47	73	56	73	65	0
1.2.4	Social Dynamics (H.4)	Percent	2008	34	40	0	50	61	62	61	76	0
1.3	Foreign direct investment, by sector	Percent	2008	40	48	0	52	58	55	58	60	0
1.3.1	Legal Framework (K.1)	Percent	2008	43	45	0	49	74	52	74	57	0

SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2009 Target	2009 Actual	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
1.3.2	Implementing Institutions (K.2)	Percent	2008	36	45	0	49	53	52	53	57	0
1.3.3	Supporting Institutions (K.3)	Percent	2008	54	60	0	65	76	70	76	76	0
1.3.4	Social Dynamics (K.4)	Percent	2008	28	40	0	43	43	47	43	50	0
2	Progress on the policy index	Percent	2008	0	70	72	75	92	80	94	85	94
1.3.4	Improved Capacity of the Workforce to Engage in Employment Opportunities											
Indicators												
1	The number of individuals trained through USAID sponsored training	Number	2008	0	700	1,620	1,400	4,183	2,500	6,466	3,000	6,870
2	Number of training certifications	Number	2008	0	80	20	160	252	275	711	325	1,446
3	Number of program participants that obtain employment	Number	2008	0	TBD	2	20	135	100	713	150	879
4	Number of individuals provided with services	Number	2008	0	800	7,326	1,600	9,078	3,500	9,859	4,000	10,121
5	Number of internship programs	Number	2008	0	3	3	6	13	8	17	10	18
	Strategic Activities Fund											
Indicators												
1	Number of grants/sub-contracts	Number	2008	0	20	26	45	66	70	177	90	283
2	Value of grants and sub-contracts	Euros	2008	0	400,000	447,837	1,750,000	1,335,357	2,370,000	3,973,027	2,625,000	4,788,316

Annex 2: PMP Report-Quarterly Results

SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2012 Target	Q1 2012 Actual	Q2 2012 Actual	Q3 2012 Actual	Q4 2012 Actual	2012 To date
1.3	Accelerated Growth of Private Sector									
Indicators										
1 (AR)	Exports as % of imports, by sector	Percent	2008	10.20	13.00	10.49	14.28	9.64		10.78
2	Foreign direct investment, by sector	Thousand Euros	2008	357,400	500,000	0	0	0		0
3	Value of sales, by sector	Thousand Euros	2008	4,418,000	6,700,000	847,888	0	0		847,888
4	Number of people employed, by sector	Number	2008	481,000	534,000	8,319	0	0		8,319
1.3.1	Increased Competitiveness of Key Sectors									
Indicators										
1	Increase in sales in target sectors	Euros	2008	158,367,019	50,000,000	16,329,109	5,308,615	8,117,306		29,755,030
2	Increase in investments in target sectors	Euros	2008	0	20,000,000	2,929,001	1,858,938	725,371		5,513,310
3 (AR)	Increase in jobs created in target sectors	Number	2008	2,138	5,000	659	476	481		1,616
4	Number of enterprises assisted in target sectors	Number	2008	36	140	0	2	0		2
5	Number of new start-ups in target sectors	Number	2008	0	20	0	0	0		0
6	Number of entrepreneurs receiving services supported by USAID	Number	2008	0	TBD	0	0	0		0
1.3.2	Improved and Demand Driven Business Support Services									
Indicators										
1	Number of enterprises and associations providing business support services	Number	2008	11	40	0	0	0		0
2	Increase of sales among BSPs	Euros	2008	1,992,060	200,000	88,454	94,975	211,790		395,219

SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2012 Target	Q1 2012 Actual	Q2 2012 Actual	Q3 2012 Actual	Q4 2012 Actual	2012 To date
3	Increase in jobs created among USAID supported BSPs	Number	2008	98	36	1	24	7		32
4	Progress on the Association Development Index	Median score	2008	1.59	2	0	0	0		0
5	Number of consultants trained/certified to provide business support service	Number	2008	0	300	0	0	0		0
1.3.3	Improved Business Operating Conditions									
Indicators										
1	Progress on the Business Environment Index (BizCLIR)									
1.1	Contracts	Percent	2007	18	50	0	0	0		0
1.1.1	Supporting Institutions (B.3)	Percent	2007	10	30	0	0	0		0
1.1.2	Social Dynamics (B.4)	Percent	2007	26	69	0	0	0		0
1.2	International Trade	Percent	2007	34	70	0	0	0		0
1.2.1	Legal Framework (H.1)	Percent	2007	41	74	0	0	0		0
1.2.2	Implementing institutions (H.2)	Percent	2007	27	65	0	0	0		0
1.2.3	Supporting Institutions (H.3)	Percent	2007	35	65	0	0	0		0
1.2.4	Social Dynamics (H.4)	Percent	2007	34	76	0	0	0		0
1.3	Foreign direct investment, by sector	Percent	2007	40	60	0	0	0		0
1.3.1	Legal Framework (K.1)	Percent	2007	43	57	0	0	0		0
1.3.2	Implementing institutions (K.2)	Percent	2007	36	57	0	0	0		0
1.3.3	Supporting Institutions (K.3)	Percent	2007	54	76	0	0	0		0
1.3.4	Social Dynamics (K.4)	Percent	2007	28	50	0	0	0		0

SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2012 Target	Q1 2012 Actual	Q2 2012 Actual	Q3 2012 Actual	Q4 2012 Actual	2012 To date
2	Progress on the policy index	Percent	2008	0	0.85	93	93	94		94
1.3.4	Improved Capacity of the Workforce to Engage in Employment Opportunities									
Indicators										
1	The number of individuals trained through USAID sponsored training	Number	2008	0	3,000	203	47	154		404
2	Number of training certifications	Number	2008	0	325	17	564	154		735
3	Number of program participants that obtain employment	Number	2008	0	150	32	122	12		166
4	Number of individuals provided with services	Number	2008	0	4,000	46	186	30		262
5	Number of internship programs	Number	2008	0	10	0	1	0		1
	Strategic Activities Fund									
Indicators										
1	Number of grants/sub-contracts	Number	2008	0	90	6	5	95		106
2	Value of grants and sub-contracts	Euros	2008	0	2,625,000	312,725	111,092	391,472		815,289

ANNEX 4. KPEP PUBLICATION MATERIALS - KPEP SUCCESS STORIES Q2 Y4

Forest Management Standard Wins International Approval



Forest Managment Unit 'Ahishte', Kaçanik/ Kačanik

Kosovo's national forest management standard has won international approval, ensuring the sustainable future use of the impoverished country's significant forest resources in furthering its economic development. The nonprofit Forest Stewardship Council accredited Kosovo's national standard on June 29, ending a multiyear effort supported by USAID's Kosovo Private Enterprise Program, or KPEP. Kosovo is the first country from the former

Yugoslavia to gain national FSC standard

accreditation, giving it a competitive edge over its neighbors.

The standard establishes how Kosovo should manage its forests, in accordance with FSC principles adapted to national conditions. FSC's objective is to promote environmentally appropriate, socially beneficial and economically viable forest management and to provide a credible link between responsible production and consumption of forest products. The standard enters effect Oct. 1.

Winning accreditation lays the groundwork for the actual certification of Kosovo's forests and wood products, which will remain voluntary. Certification should greatly benefit Kosovo's exporters of wood products to the European Union, their largest market. EU legislation bans, effective March 2013, non-certified timber and wood products from being sold within the bloc.

The benefits of accreditation will extend beyond adding jobs and bolstering the economy, as it brings a new level of responsibility to the environmental and social aspect of forestry too. Most significantly, it should stem currently widespread illegal logging, by increasing demand for legally sourced timber, according to the broad coalition of public and private stakeholders that developed the national standard. The standard also will promote conservation of Kosovo's natural habitats, endemic species and rich biodiversity, through the application of sound management practices.

Two-fifths of Kosovo is covered in forest, much of it poorly managed and underutilized. Indeed, the current annual harvest is just 20% of the potential sustainable harvest. The benefits of FSC certification should spur Kosovo to better manage and utilize its significant forest resources.

Meanwhile, Kosovo has begun preparing its first individual forest management plans. The initial goal is to gain FSC certification for two publicly owned forest tracts, to serve as models for eventual expansion, as well as for five wood processors that rely on timber harvested from the pilot units.

"Certification will improve forest managment and production sustainability, ensuring a potential annual yield of 500,000 cubic meters of timber from public lands alone—more than enough to fulfill the country's needs," said Hysen Shabanaj, KPEP's forestry expert.

Heavy Equipment Operators Make the Grade with USAID Assistance

The workers building and upgrading the basic infrastructure needed to secure Kosovo's future economic development increasingly do so more safely, competently and efficiently, thanks to USAID.



Heavy Equipment operator's training



Heavy Equipment operator's training

An innovative program begun by USAID's Kosovo Private Enterprise Program, or KPEP, has produced dozens of the certified heavy equipment operators sought after by the firms helping build a brighter tomorrow for this small and poor country in southeastern Europe. Graduates of the accredited program operate graders, bulldozers, excavators, dump trucks and other heavy equipment common to the road construction and other industries.

Unfortunately, most of Kosovo's estimated 2,000 heavy-equipment operators work without any sort of licensing or certification. Worse, large-scale highway and other domestic infrastructure projects often import the certified workers required to operate any necessary heavy equipment.

After USAID identified this situation as an obstacle to Kosovo's economic development, KPEP contracted HeviCert Inc. to establish a permanent training and certification program for heavy equipment operators.

Beginning in March 2010, the Henderson, Nev., firm trained and certified the first class of 50 operators, with a focus not just on skills and techniques, but also on the environment, safety and maintenance. Subsequent classes trained trainers as well. The Kosovo Energy Corporation, the state-owned electrical utility known as KEK, assumed management of the center in its second year. Now in its third year, the center operates without KPEP or HeviCert assistance, catering not to just to KEK and its employees but to firms across Kosovo.



HEOT simulation polygon

From right to the left: Valbona Kadrijaj - TC
Director, Azem Plakolli - Certified Operator, Safet
Ymeri - KEK External Training Coordinator.

"And we are working to become a regional training center of distinction," says the center's director, Valbona Kadrijaj. Kosovo's Ministry of Labor and Social Welfare recently began supporting the center too, given its demonstrated role in creating well-paid jobs, said Jehona Namani, director of the ministry's employment division. Strong demand for certified operators means they can expect to earn 25% to 50% more than their non-certified peers, according to a KPEP survey.

Still, it's not just about the money, said Azem Plakolli, while acknowledging certification has brought him greater contracting opportunities after 15 years in the construction industry, mostly operating excavators.

"I am aware that, despite my experience, it was only during my training that I learned the real rules of how to operate



Azem Plakolli's certification ID issued by
HEVICert

heavy equipment, especially where safety is involved,” Plakolli said. “Working in construction, you hear a lot about workplace accidents.”

A separate USAID KPEP project assisted KEK in establishing a sustainable program to train and certify welders as well. So far, it has trained and certified five instructors and 24 welders, many of them formerly unemployed youth. The center now seeks to create a cadre of expert welders to train even more prospective employees, KEK welding trainer Fehmi Uka said.



Welding training attendee



New Welding Workshop premises, built by KEK

Donated greenhouses bring fresh promise to impoverished north



Apples ripen outside Milovan Miletic's new greenhouse, emblazoned with a USAID sticker, in Grabovac, Kosovo

MITROVICĚ/MITROVICA, Kosovo—Small greenhouses donated by USAID to experienced but poor farming families in north Kosovo are inspiring big plans.

For Sanja Živković, it's cultivating flowers in winter—blossoms the young mother knows can sell locally for as much as 1 euro (\$1.26) a stem. Meanwhile, Milovan Miletic schemes an early start on raising tomatoes that can tip the scales at 1.3 kilograms (2.9 pounds) a piece. And Bajram Azemi plans on growing enough pickling cucumbers to supply his entire neighborhood.

USAID, through its Kosovo Private Enterprise Program (KPEP), is providing the new greenhouses to 150 needy Serb, Albanian and Bosniak families in north Kosovo. Each donation includes a 1,000-liter (264-gallon) water tank and drip-irrigation system. The first 20 of the micro greenhouses are in place, some already freshly planted with peppers, tomatoes and other seedlings. Each €1,746 (\$2,199) greenhouse package will allow households to grow fresh produce more intensely than they can in open fields. The greenhouses will also extend the growing season by up to 90 days, keeping cold temperatures at bay.



Sanja Živković (at right) and her mother-in-law, Stana Živković, show off their new greenhouse, newly planted with peppers, cucumbers, beans and tomatoes.

As a result, each greenhouse should provide sustainable and near year-round employment for two people, helping dent a local unemployment rate of approximately 50%, according to KPEP.

Sanja Živković said her family plans to grow spinach and lettuce in winter, giving way to flowers and then, beginning in early spring, tomatoes and other vegetables. The greenhouse should enable her family to raise crop varieties without the constraints presented by the small, non-irrigated parcel of open land she now farms with her husband and mother-in-law.

"How could we not be happy?" Živković said.

"We'll have enough to feed ourselves and to sell for profit."

The recipients will be able to sell any excess produce, including through local cooperatives. Those sales should help reduce the more than €300 million (\$377 million) in fresh fruit and vegetables Kosovo imports annually.



Milovan Miletić shares a freshly picked pepper with visitors to his Grabovac, Kosovo farm.



Milovan Miletić tends to the pepper seedlings growing in his new greenhouse, a gift from USAID to the farmer and his family.

For example, Azemi's neighbors have already pledged to buy all the cucumbers he can grow. And Miletić, beyond tomatoes, also wants to raise peppers for sale in the off-season, when expensive imports dominate the marketplace.

"They'll come in early and we can sell them for a good price," Miletić said.

Kosovo-based DST Product manufactured the tunnel-style greenhouses, which employ UV-resistant plastic sheeting on a steel frame. The plastic should last three to five years before requiring replacement.

Entrepreneur's Goal? A Farm-fresh Chicken in Every Pot

ŽITKOVAC/Zhitkofc, Kosovo—Eager consumers continue to snap up all the fresh chicken the only sizeable broiler farm in northern Kosovo can produce, even after doubling its output with the assistance of USAID.

Aves Prom owner Goran Cvetkovic now raises 4,000 chickens each 40-day cycle, yielding 9.5 metric tons (10.5 tons) of fresh chicken meat. He splits the flock between two poultry houses—the newer and larger of the two funded on a cost-share basis with **USAID's Kosovo Private Enterprise Program**.



Aves Prom Plant

Although Cvetkovic can now grow twice as many white-plumed Ross broilers as he did previously, demand continues to outstrip supply. He typically secures buyers for his entire flock weeks before the chickens have even grown to market size.

"Business is great," said Cvetkovic. "There is always room for growth."

The new poultry house stands outside this small ethnic Serb village north of Mitrovicë/Mitrovica. Its nondescript brick exterior belies the state-of-the-art operation inside.



Broilers at Aves Prom

"The computer controls it all," Cvetkovic said on a recent tour, pointing out the fully automated system he relies on to keep his broilers fed, hydrated, comfortable and safe. "Climate, water, pelletized feed—even the alarm system."

While USAID supported Aves Prom in order to increase the availability of fresh poultry meat on the local market, that wasn't the only benefit, said Arben Musliu, KPEP's in-house agribusiness expert.

"We also helped create jobs for rural residents in an area with an estimated 50% unemployment rate," Musliu said.

Indeed, Cvetkovic recently doubled his workforce, to a dozen part- and full-time employees. More hires are likely, as Cvetkovic plans to begin raising 5,000 broilers at a time.

Business is good: While Cvetkovic spends roughly €4 (\$5.04) to grow each chicken, each fresh, dressed bird returns €5.75 (\$7.25). He delivers the chickens to his individual and retail customers in bulk packages within 12 hours of slaughter.



Goran Cvetkovic, Owner of Aves Prom

For Goran Nedeljkovic, owner of Super Market Frukta in Mitrovice/Mitrovica, Aves Prom produces a much tastier and less expensive alternative to the frozen chickens he would otherwise source from Serbia.

“The quality is 100 times better and the price about 15% lower,” Nedeljkovic said.

Background:

In 2007, USAID KCBS assisted AvesProm with € 10,000 to build a small broiler slaughtering plant;

In 2011, USAID KPEP’s support was Euro 24,080 for purchasing and installing the automatic equipment for dispensing pelletized and granulated feed and water to the broilers, which is important for proper feeding formulas.

Alternative Tourism Association Goes Mainstream

An eye-opening foreign study trip sponsored by USAID inspired a dedicated group of Kosovo's hospitality industry leaders to found an association that has quickly become a major promoter of the young country as a tourist destination.

Today, just two years after its founding, the Kosovo Alternative Tourism Association, or KATA, is the mainstream face of Kosovo's tourism industry. Its 105 members represent a broad swath of the country's tour operators, hotel owners and others active in the hospitality industry.

KATA and its members have worked actively and cooperatively to promote the small southeastern European country at travel fairs in Albania, Austria, Turkey and the United Kingdom, as well as domestically. KATA's efforts, in short time, have increased overall awareness of Kosovo as a tourist destination.



"Touristic Albania 2012" fair held in Tirana on April where approximately 300 exhibitors from Albania, Kosovo, Montenegro and Macedonia participated.

The association's roots trace to early 2010, when a small number of hotel and tour agency officials began discussing creation of an alternative to the existing national tourism association. The founders believe that the newly established association would represent their interests better.

USAID's Kosovo Private Enterprise Program, or KPEP, stepped in to help, sending a group to Austria and Bulgaria to learn more about best practices in alternative tourism. World Learning, a U.S. nonprofit, implemented the trip.

The two-week tour allowed the delegation to see, first-hand, how hotels, agencies, associations and other institutions could cooperate in building a world-class tourism industry. Inspired by what they had learned, the group began contacting others in Kosovo's then-fragmented tourism industry to form what has since become a strictly voluntary but highly effective association.



KATA President Mr. Baki Hoti in Izmir, Turkey, October 2010, invited by Albanian associations

For example, KATA promoted Kosovo at a tourism fair in Izmir, Turkey, targeting that city's large population of Kosovar Albanian émigrés. Since then, multiple local tour operators have hosted groups of Turkish tourists.

"KATA's promotional activities, besides establishing a cooperative spirit at the domestic and international level, have yielded clear results in forging a positive image of Kosovo as a tourist

destination," executive director Baki Hoti said.

Meanwhile, KATA has been active in creating linkages, increasing employment and lobbying. It has encouraged local operators to collaborate with their international

counterparts to include Kosovo in regional tours. It sponsored a job fair that connected 40 unemployed workers with hospitality industry jobs. And its response to hotel classification legislation led to industry-favorable amendments.

“As members, we are aware of the importance of speaking with a single voice, so we work closely with KATA, helping develop the industry, through strategic planning, promotion and policy work, in ways the government cannot,” said Kujtim Rrahmani, a KATA member and operator of the Veleđa tourism promotion company in Gjakova/Djakovica.



Managing the walking trails and signage in Brod, Dragash/ Dragaš

KATA focuses on building capacity too, overseeing a program to create a network of walking trails in Dragas/ Dragash, a remote and mountainous region in Kosovo’s far south, and organizing the annual street fair in Peja/ Pec, which features local artisans, restaurateurs and performers.

In the near future, KATA (<http://www.kata-ks.org/>) will publish a new guide to Pristina as well as start a hotel staff training and certification program. The association already provides individual training programs for its members.

For the videos of KPEP clients who joined us in ‘Driving growth, exports, and jobs’ please follow the link of Video gallery at the USAID KPEP’s web page:

www.usaidkpep.org